ANCHOVY STUDIOS PLC

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C 57419

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Company, which is unchanged since last year, is to provide services of digital marketing, design and production.

Review of business

2022 Performance

It has been a critical year for the Company as we continued to grow and expand our operations. Last year, we achieved significant milestones and surpassed the set targets through hard work and dedication of the team.

The Company experienced another year of strong growth, compared to the previous year. Revenue increased by 21% while the EBITDA increased by 38%. This growth has been driven by the continued demand for digital marketing, tech, ecommerce, and technology services, as well as successful expansion into new markets.

The Company's strategic focus on client offers, including the creation of a centre of excellence, deployment of local resources in the Middle East, and investment in key alliances, has helped to maintain the momentum and continue the growth trajectory.

During 2022, the company continued to invest towards its growth and expansion plans. As already mentioned last year, the Company progressed with its discussions with NIU Limited, with the intention to conclude a merger at shareholding level with NIU Limited. The formalities of the merger are in an advanced stage and should lead towards the positive closure of the transaction. The Company already implemented a number of commercial synergies with NIU Limited and such initiatives transformed the services offered and improved the Company's efficiency.

The board of directors has updated the 2023-2027 roadmap to ensure that the Company is well-positioned to capitalise on the opportunities that lie ahead. Ambitious targets were set for the coming years, and the Board is confident that the Company has in place the required expertise and resources to achieve these targets.

As the Company moves forward, it remains committed to delivering exceptional service and value to its clients. The Company will continue investing in people, processes, and technology to ensure that it remains at the forefront of the digital industry. The directors will also remain vigilant in monitoring the impact of external factors, such as geopolitical risks, and take appropriate actions to mitigate any risks.

2022 has been an exceptional year for the Company as it continued to grow and expand the operations. The Company is excited about the opportunities that lie ahead and remain committed to delivering exceptional value to all stakeholders.

Directors' report - continued

2023 Outlook

The Company has set its targets for 2023 and has started the year on a very positive note. The targets should contribute to an overall growth compared to 2022, with revenue expecting to total €2.1 million during 2023. The performance for the first quarter 2023 confirmed that the Company's results are in line with budget. Taking account the challenges posed by the global economic environment, the Company's forecasts for 2023 are consistent with the market expectations. The forecasts should lead to cautious growth in the gross profit/net revenue.

The Company is excited about the growth opportunities and in 2023 will intensify its efforts and investment to onboard more business from markets outside the Maltese territory. Such opportunities are all incorporated into the growth plan 2023-2027, which sets out the Company's forecasts. The projected forecasts are based on organic growth and target an improvement in the operational EBITDA margin, international expansion in the middle east and an M&A roadmap.

The bureaucratic formalities to finalise the merger with NIU Limited, are expected to be concluded in 2023. This merger will boost the ability to offer a wider range of digital services and be better positioned to implement the expansion plans. Naturally, this is not being done in a vacuum, and the Directors continue to monitor the situation constantly so as to be proactive and mitigate the impact brought about by the post-pandemic struggles and other global political and economic challenges. Furthermore, the directors will continue to take appropriate action, as already has been the case, and ensure that the Company sustains these current conditions.

The Company's management looks forward to 2023 with confidence.

Going Concern

The directors have considered the Company's operating performance, the statement of financial position at year end, as well as the business plan for the coming year, and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Events subsequent to statement of financial position date

The directors assessed subsequent events from 1 January 2023 to 27 April 2023, the date these financial statements were approved. Through such assessment, the directors have determined that no events took place which have a material impact on the Company after the balance sheet date as reported in Note 24 to these financial statements.

Financial results

The Company's revenue and other income for the year amounted to €2,065,835 (2021: €1,762,228) representing an increase of 17%. The operating profit for the year amounted to €127,568 (2021: €85,494), representing an increase of approximately 49%. The profit before tax for the year amounted to €62,660 (2021: €15,128).

Depreciation and amortisation for the year amounted to €23,747 (2021: €24,356) and finance costs were €64,908 (2021: €70,366).

Finance costs for 2022 and 2021 mainly include the bond interest payable.

The Company's total asset base stands at €2,259,528 (2021: €1,611,396), which represents an increase of approximately 40% and which is mainly a result of the increase in the Company's trade and other receivables.

Total non-current liabilities amounted to €1,094,325 (2021: €1,080,844) and mainly represent the bond issue of €1,000,000 less bond issue costs.

Directors' report – continued

Principal risks and uncertainties

The Company is exposed to risks inherent to its operation and can be summarised as follows:

1. Strategy risk

Risk management falls under the responsibility of the Board of Directors. The Board is continuously analysing its risk management strategy to ensure that risk is adequately identified and managed. The Audit Committee regularly reviews the risk profile adopted by the Board of Directors.

2. Operational risks

The Company's revenue is mainly derived from services of digital marketing, design and production. Demand for such services is closely linked to the performance of the economic outlook, both locally and on a global scale. The Company's management is actively involved in spreading its client base to eliminate dependence on a particular industry or territory.

3. Legislative risks

The Company is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the Company's ability to operate. The Company has embedded operating policies and procedures to ensure compliance with existing legislation.

Financial risk management

Information relating to the Company's financial risk management is disclosed in Note 2 to the financial statements.

Results, dividends and reserves

The financial results are set out in the statement of profit or loss and other comprehensive income on page 13. The Directors did not distribute a dividend in 2022 (2021: Nil). Retained earnings carried forward at the end of the financial reporting period amounted to €242,036 (2021: €189,512).

Directors

The Directors of the Company who held office during the year were:

Dr. Lawrence Gonzi – Chairman
Mr. Benjamin Borg
Mr. Zachary Borg
Mr. Julian Mamo
Mr. Christopher Mifsud

The Board meets on a regular basis to discuss performance, position and other matters. The Company's Articles of Association do not require any director to retire.

Statement of Directors' responsibilities for the financial statements

The Directors are required by the Companies Act, (Cap 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;

Directors' report - continued

Statement of Directors' responsibilities for the financial statements – continued

- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, (Cap 386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Anchovy Studios plc. for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and may be made available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

Mazars Malta have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Statement by the Directors on the financial statements and other Information included in the annual report

The Directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Benjamin Borg
Director

Zachary Borg
Director

Registered office:
182, Level 2,
Mdina Road,
Zebbug, ZBG 9015,
Malta

27 April 2023

Corporate Governance - Statement of compliance

Preliminary

The Prospect MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to the listing venue to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the "Code").

Although the adoption of the Code is not obligatory, companies are required by Prospects MTF Rules to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Company has adopted the Code, accompanied by a report of the auditors thereon.

Part 1: Compliance with the Code

The Board of Directors (the Board") of Company believe in the adoption of the Code and has endorsed it except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle 1 and 4: The Board

The Board of Directors of the Company is responsible for the overall long-term direction and strategy of the Company, assessing and evaluating the performance of the Company's executive functionaries, ascertaining that control systems suitable to the Company are implemented, that financial reporting is carried out to the highest attainable standards and to ascertain that the Company maintains open communication channels with the market and stakeholders. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Company Admission Document and all relevant rules and regulations.

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. In fact, throughout the year under review, the Board has provided the necessary leadership in the overall direction of the Company and the administration of its resources to enhance the prosperity of the business over time, and therefore the value of the shareholders' investment.

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities. The Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision-making process. All directors have access to independent professional advice, at the expense of the Company, should they so require.

The Directors have determined the Company's strategic aims and organisational structure and always ensure that the Company has the appropriate mix of financial and human resources to meet its objectives.

Corporate Governance - Statement of compliance - continued

Part 1: Compliance with the Code (continued)

Principle 2: Chairman and Chief Executive

Due to its lean operating structure and the nature of its current business, the Company does not employ a Chief Executive Officer (CEO). Despite this, the Company feels that its current organisational structure is appropriate for the size of the Company's operation. The board of directors are responsible for the Management of the Company. The day-to-day management of the Company is vested with the Executive Directors of the Company. The Chairman is responsible to lead the Board and set its agenda and also ensures that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.

Principle 3: Composition of the Board

The Board is composed of two executive directors and three non-executive directors. The Board considers that the size of the Board, whilst not being too large as to be unwieldy, is appropriate, taking into account the size of the Company its operations, its business risks and key performance indicators. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the proper functioning of the Board and gives direction to the Company.

The board is composed as follows:

Benjamin Borg – Executive Director
Zachary Borg – Executive Director
Christopher Mifsud – Non Executive Director
Dr Lawrence Gonzi – Chairman and Non Executive Director
Julian Mamo – Non Executive Director

The Company has a majority of Non-Executive Directors on the Board. The non-executive directors, Dr Lawrence Gonzi and Mr Julian Mamo are independent within the meaning provided by the Code.
None of the Independent Non-Executive Directors:

a) are or have been employed in any capacity by the Company;
b) have, or had within the last three years, a significant business relationship with the Company;
c) have received or receive significant additional remuneration from the Company;
d) have close family ties with any of the executive members of the Board;
e) have served on the Board for more than twelve consecutive years; or
f) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditors of the Company.

The process of appointment of Directors is transparent, is set out in the Company's Articles of Association and it is conducted during the Company's AGM where all the shareholders of the Company are entitled to participate in the voting process to elect the Board of Directors. Furthermore, in terms of the Company's Memorandum and Articles of Association, a Director is prohibited from voting on any contract or arrangement or any other proposal in which he has a material interest.

Corporate Governance - Statement of compliance - continued

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. The Chairperson ensures that all relevant items are set on the agenda and ensures that all board members partake in discussions of complex and contentious issues. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting reading materials, which are circulated well in advance of the meeting. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors.

The Board aims to meet a minimum of four times every calendar year. It is currently composed of five individuals, with a majority of non-executive directors and two of whom are completely independent of the Company or any other related companies. The Board met six times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

Benjamin Borg	six times
Zachary Borg	five times
Christopher Mifsud	six times
Lawrence Gonzi	six times
Julian Mamo	six times

Board meetings are attended by Grant Thornton Limited, the Corporate Advisors of the Company, the Company Secretary and the Company's financial advisors. The Company ensures that sufficient information is provided to the attendees to effectively contribute during meetings of the board, and to take informed decisions on the manner in which the Company's affairs are being administered.

Principle 6: Information and Professional Development

On joining the Board, a Director is provided with briefings by the Executive Directors on the activities of the Company. From time to time, the Executive Directors may meet other Board members or organise information briefing sessions to ensure that the Directors are made aware of the general business environment and the Board's expectations, to ensure that it provides directors with relevant information to enable them to effectively contribute to board decisions. Consequently, each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Prospects MTF Rules and other relevant legislation.

Corporate Governance – Statement of compliance - *continued*

Part 1: Compliance with the Code (continued)

Principle 8: Committees

Audit Committee

The Audit Committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board.

The members of the Audit Committee have discussed various matters during the meetings held in 2022 and have formally set out the Terms of Reference of the Audit Committee. The purpose of the Committee is to set parameters of its remit as well as the basis for the process that it is required to comply with, such that it protects the interest of the Company's share and bond holders and assists the directors in conducting their role effectively. The Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the trade debtors of the Company, to ensure that budgets are achieved and if not that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out on an arm's length basis.

The Malta Stock Exchange reviewed the Audit Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

During the financial period under review, the Audit Committee met four times. The Audit Committee is composed of a mixture of executive and non-executive directors as follows:

Executive Director

Zachary Borg

Non Executive Director

Julian Mamo (Chairman of the Audit Committee)
Dr Lawrence Gonzi

The Board considers the Chairman of the Audit Committee to be independent and competent in financial knowledge.

Internal Control

While the Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness, the authority to determine day-to-day non-material operational aspects that fall within the ordinary course are delegated to the Executive Directors.

Systems and procedures are in place to control, monitor, report and assess risks and their financial implications. Management accounts, budgets and strategic plans are prepared on a regular basis and are presented to the Board to monitor the performance of the Company on an on-going basis.

Controls are designed to manage risk, to achieve business objectives and to provide reasonable assurance against normal business risks.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls.

Corporate Governance – Statement of compliance – *continued*

Part 1: Compliance with the Code (continued)

Principle 8: Committees (continued)

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the Executive Directors with clear reporting lines and delegation of powers.

Control Environment

The Company is committed to strong standards of business conduct and seeks to maintain these across all of its operations.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk Identification

The Executive Directors and Company management are responsible for the identification and evaluation of key risks applicable to their respective areas of business - this is sufficient, given the nature and scale of the Company's operations.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives, given its size and the nature of its activities to date.

Principles 9: Relations with Shareholders and with the Market

The Company recognises the importance of keeping investors informed to ensure that they are able to make informed investment decisions. The Company communicates with the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year, and by way of Company announcements to the market in general when necessary.

These reports are also available on the Company's website which also contains information about the Company. The Company's website also contains an 'Investor relations' section which includes press releases and investor information sub-sections.

Principle 10: Institutional Shareholders

The Directors are of the view that this Principle is not applicable to the Company.

Corporate Governance – Statement of compliance - *continued*

Part 1: Compliance with the Code (continued)

Principle 11: Conflicts of Interest

Mr Zachary Borg and Mr Benjamin Borg are executive officers of the Company. Mr Zachary Borg and Mr Benjamin Borg have a direct beneficial interest in the share capital of the Company, and as such are susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company. All the Directors of the Company recognise their responsibility to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to serve on the Board. It is the practice of the Board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately dealt with. Directors who have a conflict of interest do not participate in discussions concerning such matters unless the Board finds no objection to the presence of such Directors. The Directors are obliged to keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. In any event, Directors refrain from voting on the matters where conflicts of interest arise. There were no such matters in the year under review.

The Directors are informed of their obligations on dealing in securities of the Company within the parameters of the law and subsidiary legislation, as well as the Prospects MTF Rules.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction (unless the Board finds no objection to the presence of such Director with conflict of interest).

Principle 12: Corporate Social Responsibility

The Directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

Corporate Governance – Statement of compliance - *continued*

Part 2: Non-Compliance with the Code

Principle 7 and 8: Remuneration and Nomination Committees

Under the present circumstances the Company does not consider it necessary to appoint a Remuneration Committee and a Nomination Committee as decisions on these matters are more adequately taken by the Company's Board and at shareholders level.

Principle 9: Relations with Shareholders and with the Market

Currently there is no established mechanism disclosed in the Company's Memorandum and Articles of Association, as recommended in Code Provision 9(k), to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Board believes, taking into account the current shareholder profile, the measures currently available for shareholders, such as the right to ask questions, and the continuous dialogue with shareholders provide the necessary safeguards.

Approved by the Board of Directors on 27 April 2023 and signed on its behalf by:

Benjamin Borg
Director

Zachary Borg
Director

Statement of financial position

	Notes	As at 31 December 2022 €	As at 31 December 2021 €
ASSETS			
Non-current assets			
Property, plant & equipment	4	**24,323**	33,072
Right of use asset	20	**123,437**	82,543
Deferred tax asset	11	**6,906**	-
Intangible assets	5	**36,051**	304
Investments in subsidiaries	6	**60,964**	60,964
Total non-current assets		**251,681**	176,883
Current assets			
Trade and other receivables	7	**1,252,822**	608,759
Current tax asset	17	**10,106**	-
Cash and cash equivalents	8	**744,919**	825,754
Total current assets		**2,007,847**	1,434,513
Total assets		**2,259,528**	1,611,396
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**11,984**	11,984
Retained earnings		**242,036**	189,512
Total equity		**254,020**	201,496
Non-current liabilities			
Borrowings	10	**986,213**	983,053
Lease liability	20	**108,112**	97,791
Total non-current liabilities		**1,094,325**	1,080,844
Current liabilities			
Borrowings	10	**2,142**	842
Trade and other payables	12	**894,735**	311,076
Current tax liability	17	**-**	4,783
Lease liability	20	**14,306**	12,355
Total current liabilities		**911,183**	329,056
Total liabilities		**2,005,508**	1,409,900
Total equity and liabilities		**2,259,528**	1,611,396

The notes on pages 16 to 40 are an integral part of these financial statements.

The financial statements on pages 12 to 40 were authorised for issue by the Board on 27 April 2023 and were signed on its behalf by:

Benjamin Borg
Director

Zachary Borg
Director

Statement of profit or loss and other comprehensive income

	Notes	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Revenue			
Operating revenue	13	**2,043,567**	1,693,801
Operating expenses:			
Personnel expenses	14	**(728,070)**	(786,613)
Depreciation and amortisation	4, 20	**(23,747)**	(24,356)
Other operating expenses	15	**(1,208,991)**	(846,296)
Gain on lease modification		**28,561**	-
Net impairment losses on financial assets		**(6,020)**	(19,469)
Total operating expenses		**(1,938,267)**	(1,676,734)
Other Income		**22,268**	68,427
Operating profit		**127,568**	85,494
Net investment costs	16	**(64,908)**	(70,366)
Profit before tax		**62,660**	15,128
Tax expense	17	**(10,136)**	(15,478)
Profit / (Loss) for the year after tax – total comprehensive income		**52,524**	(350)

The notes on pages 16 to 40 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2021		11,984	189,862	201,846
Comprehensive income				
Loss for the year - total comprehensive income		-	(350)	(350)
Balance at 1 January 2022		**11,984**	**189,512**	**201,496**
Comprehensive income				
Profit for the year - total comprehensive income		-	52,524	52,524
Balance at 31 December 2022		**11,984**	**242,036**	**254,020**

The notes on pages 16 to 40 are an integral part of these financial statements.

Statement of cash flows

	Notes	**Year ended 31 December 2022 €**	Year ended 31 December 2021 €
Cash flows from operating activities			
Cash generated from / (used in) operations	19	**61,155**	(45,965)
Interest paid		**(59,699)**	(60,570)
Income tax paid		**(21,230)**	(35,581)
Net cash used in operating activities		**(19,774)**	(142,116)
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	**(10,651)**	(14,268)
Proceeds from disposal of property, plant and equipment	4	**-**	928
Investment in subsidiary entity	6	**-**	(15,724)
Expenditure on intangible assets capitalised	5	**(36,416)**	(315)
Net cash used in investing activities		**(47,067)**	(29,379)
Cash flows from financing activities			
Dividends paid		**-**	(17,500)
Rent paid		**(15,294)**	(18,320)
Net cash used in financing activities		**(15,294)**	(35,820)
Net movement in cash and cash equivalents		**(82,135)**	(207,315)
Cash and cash equivalents at beginning of year		**824,912**	1,032,227
Cash and cash equivalents at end of year	8	**742,777**	824,912

The notes on pages 16 to 40 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap 386). The financial standalone statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 3 - Critical accounting estimates and judgments).

1.1.1 Initial Application of an International Financial Reporting Standard

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2022. Such amendments include:

- Amendments to IFRS 3 'Business Combinations': Reference to the Conceptual Framework.
- Amendments to IAS 16 'Property, Plant and Equipment': Property, Plant and Equipment — Proceeds before Intended Use.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Onerous Contracts—Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 9 'Financial Instruments', IFRS 16 'Leases', IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 41 'Agriculture'.

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the Company.

1.1.2 International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Standard, Amendment or Interpretation	Effective For Annual Periods On Or After	EU Status
IFRS 17 'Insurance Contracts'	1 January 2023	Endorsed
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023	Endorsed

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

1.1.2 International Financial Reporting Standards in issue but not yet effective – continued

Amendments to IAS 12 'Income Taxes' – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023	Endorsed
Amendments to IAS 8 'Accounting Policies, Changes In Accounting Estimates and Errors' – Definition of Accounting Estimates	1 January 2023	Endorsed
Amendments to IFRS 17 'Insurance Contracts' – Initial application of IFRS 17 and IFRS 9 'Financial Instruments – Comparative Information	1 January 2023	Endorsed
Amendments to IAS 1 'Presentation of Financial Statements' – Classification of liabilities as current or non-current, Classification of liabilities as current or non-current – Deferral of effective date, Non-current Liabilities with Covenants	1 January 2024	Not yet endorsed

The directors are of the opinion that these amendments will not have a material impact on the financial statements of the Company.

1.1.3 Consolidation of subsidiaries

Consolidated financial statements have not been prepared for the group comprising the Company and its subsidiaries on the grounds that the Company is exempt from drawing up consolidated financial statements in terms of Section 173 (1) of the Companies Act, (Cap 386). Accordingly, these financial statements present information about the Company as an individual undertaking and not about its group.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Euro is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. **Summary of significant accounting policies** - continued

1.3 Property, plant, and equipment

All property, plant and equipment is initially recorded at historical cost and subsequently carried at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
Improvements to premises	10
Furniture and fittings	10
Computer and office equipment	25
Air conditioners	16.67
Right of use asset	9.76

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.4 Intangible assets

1.4.1 Acquired intangible assets

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset is initially measured at cost. Cost comprises the purchase price and any directly attributable costs of preparing the asset for its intended use, when the asset is acquired separately. When the asset represents a contribution in kind made by the shareholder, the cost represents the fair value of the asset at the date of the contribution.

1. **Summary of significant accounting policies** - continued

1.4 Intangible assets - continued

1.4.1 Acquired intangible assets - continued

Intangible assets with finite useful lives are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

1.4.2 Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset is recognised only if all of the following can be demonstrated by the Company:

- the technical feasibility, the availability of resources and the intention and ability of completing the asset so that it will be available for use or sale;
- how the asset will generate probable future economic benefits, and;
- the ability to measure reliably the expenditure attributable to the asset during its development.

Internally generated intangible assets are initially measured at cost, being the sum of the expenditure incurred from the date when the recognition criteria are met.

After initial recognition, internally-generated intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. When the intangible asset will become available for use, it will be amortised on a straight-line basis over its estimated useful life.

1.4.3 Estimated useful lives of intangible assets

The following are the classes of intangible assets for the financial period in question, as well as their estimated useful lives from the date of acquisition.

	%
Trademarks	20
Software development	20

Amortisation is calculated on a pro-rata basis.

1.5 Investments in subsidiaries

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits form its activities.

An investment in subsidiary is initially measured at cost. After initial recognition, the investment in subsidiary is measured using the cost method, which is at cost less impairment. Under the cost method, cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Provisions for impairment are recorded where, in the opinion of the Directors there is an impairment in the value of the investment.

1. **Summary of significant accounting policies** - continued

1.5 Investments in subsidiaries - continued

Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.6 Financial Instruments

A financial asset or a financial liability is recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset, or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

1.7 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held with banks and the bank overdraft.

Subsequent to initial recognition, interest bearing bank overdrafts are carried at their face value due to their short-term maturities.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the issue proceeds.

1. **Summary of significant accounting policies** - continued

1.10 Borrowings

Borrowings are recognised initially at the fair value of proceeds received; net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid is recognised in profit or loss as other income or finance costs.

1.11 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.13 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. **Summary of significant accounting policies** - continued

1.14 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.15 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer arises from the provision of services (performance obligations) and is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax, rebates and discounts, where applicable. Revenue is recognised when it is probable that future economic benefits will flow to the company and the amount of revenue and the associated costs can be measured reliably.

(a) Rendering of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(b) Interest income

Interest income is recognised as the interest accrues using the effective interest method, unless collectability is in doubt.

1.16 Leases

At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

1. **Summary of significant accounting policies** - continued

1.16 Leases - continued

Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate and lease payments in an optional renewal period that the Company is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets within non-current assets and lease liabilities within current and non-current liabilities accordingly in the statement of financial position.

1.17 Borrowing costs

All borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Company's Board of Directors that makes strategic decisions. The Board of Directors considers the Company to be made up of one segment, that is to engage in digital marketing activities and provide related and ancillary services.

1. **Summary of significant accounting policies** - continued

1.20 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. Foreign currency transactions arise when the Company enters into transactions denominated in a foreign currency. Foreign currency transactions mainly comprise transactions in US Dollars. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates. The Directors consider foreign exchange risk exposure to not be material and accordingly a sensitivity analysis disclosing how profit or loss and other comprehensive income would change as a result of a reasonable possible shift in foreign exchange rates, is not considered necessary.

(ii) Cash flow and fair value interest rate risk

The Company's significant instruments which are subject to fixed interest rates represent the bonds issued to the general public (Note 11). In this respect, the Company is exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The Directors consider that the Company is not significantly exposed to cash flow interest rate risk since financial instruments subject to variable interest rates are not material. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments and considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, which include outstanding debtors and amounts receivable from related parties.

The Company has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables;
- Cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company banks only with local financial institutions with high quality standing or rating. At 31 December 2022 and 31 December 2021, cash and cash equivalents are held with counterparties with a credit rating of BBB- (2021: BBB-) and are callable on demand. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	Notes	**At 31 December 2022 €**	At 31 December 2021 €
Trade and other receivables	7	**1,252,822**	608,759
Cash and cash equivalents	8	**742,777**	824,912
		1,995,599	1,433,671

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold significant collateral as security in this respect.

The Company assesses the credit quality of its customers, taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected with customers with an appropriate credit history. The Company's management monitors the performance of its trade and other receivables on a regular basis to identify expected credit losses, taking into account historical experience in collection of accounts receivable.

2. Financial risk management – continued

2.1 Financial risk factors – continued

(b) Credit risk – continued

In measuring the expected credit losses on trade receivables, the expected loss rates are based on the payment profiles and the corresponding historical credit losses experienced within this period while also taking into consideration a forward-looking rate which was determined based on country risk. On that basis, the impairment provision as at 31 December 2022 was determined as follows for trade receivables:

	Current	30 to 60 days overdue	61 to 90 days overdue	91 to 120 days overdue	More than 120 days overdue	Total
31 December 2022						
Expected loss rate	1.40%	1.51%	1.43%	1.46%	10.71%	
Gross carrying amount	388,357	73,855	63,175	14,057	279,650	819,094
Impairment provision	**5,453**	**1,115**	**905**	**205**	**29,959**	**37,637**

	Current	30 to 60 days overdue	61 to 90 days overdue	91 to 120 days overdue	More than 120 days overdue	Total
31 December 2021						
Expected loss rate	0.75%	0.74%	0.75%	0.82%	35.29%	
Gross carrying amount	240,017	105,198	26,002	17,634	81,315	470,166
Impairment provision	**1,804**	**775**	**196**	**144**	**28,698**	**31,617**

The closing impairment provision for trade receivables as at 31 December 2022 reconciles to the opening impairment provisions as follows:

	2022 €	2021 €
Opening impairment provision as at 1 January under IFRS 9	**31,617**	12,148
Impairment release recognised in profit or loss during the year	**6,020**	19,469
31 December - closing impairment provision	**37,637**	31,617

The loss allowance in relation to the other debtors and amounts due from subsidiaries was not considered to be material.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings (Note 10) and trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Company's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Company as significant taking into account the liquidity management process referred to above.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 and 2021 to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
31 December 2022					
Bonds	55,000	55,000	876,213	-	986,213
Bank overdraft	2,142	-	-	-	2,142
Trade and other payables	894,735	-	-	-	894,735
Total	**951,877**	**55,000**	**876,213**	**-**	**1,883,090**
31 December 2021					
Bonds	55,000	55,000	165,000	1,025,616	1,300,616
Bank overdraft	842	-	-	-	842
Trade and other payables	311,076	-	-	-	311,076
Total	**366,918**	**55,000**	**165,000**	**1,025,616**	**1,612,534**

With respect to the maturity of the Company's financial liabilities as at 31 December 2022 and 31 December 2021, the Directors disclose that the Company's trade and other payables are entirely repayable within one year from the end of the respective reporting period and bank overdraft is repayable on demand.

2. Financial risk management - continued

2.2 Fair value estimation

The fair value information of the Company's non-current interest-bearing borrowings is disclosed in Note 10.

At 31 December 2022 and 2021, the carrying amounts of cash at bank, receivables, short term borrowings, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

2.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Admission document issued in relation to the 5.5% 2027 bonds.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The Board of Directors monitors the return on capital, which the Company defines as the results for the year divided by total equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

In view of the nature of the Company's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the financial statements is deemed adequate by the Directors.

The Company's policy for managing capital has remained unchanged from the prior year.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of affecting the reported amount of assets and liabilities within the next financial year are discussed below.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 2.

4. Property, plant and equipment

	Improvement to premises €	Furniture & fittings €	Computer and office equipment €	Air conditioners €	Total €
At 1 January 2021					
Cost	16,911	11,597	46,895	6,173	81,576
Accumulated depreciation	(6,176)	(4,744)	(35,116)	(5,414)	(51,450)
Net book amount	**10,735**	**6,853**	**11,779**	**759**	**30,126**
Year ended 31 December 2021					
Opening net book amount	10,735	6,853	11,779	759	30,126
Additions	-	-	14,268	-	14,268
Disposals	-	-	(928)	-	(928)
Depreciation charge	(2,660)	(991)	(6,560)	(376)	(10,587)
Depreciation released on disposal	-	-	193	-	193
Closing net book amount	**8,075**	**5,862**	**18,752**	**383**	**33,072**
At 31 December 2021					
Cost	16,911	11,597	60,235	6,173	94,916
Accumulated depreciation	(8,836)	(5,735)	(41,483)	(5,790)	(61,844)
Net book amount	**8,075**	**5,862**	**18,752**	**383**	**33,072**
Year ended 31 December 2022					
Opening net book amount	8,075	5,862	18,752	383	33,072
Additions	1,137	3,716	5,798	-	10,651
Disposals	(16,912)	(1,690)	-	(6,174)	(24,776)
Depreciation charge	(401)	(1,218)	(8,047)	(227)	(9,893)
Depreciation released on disposal	9,210	41	-	6,018	15,269
Closing net book amount	**1,109**	**6,711**	**16,503**	**-**	**24,323**
At 31 December 2022					
Cost	1,136	13,623	66,033	-	80,792
Accumulated depreciation	(27)	(6,912)	(49,530)	-	(56,469)
Net book amount	**1,109**	**6,711**	**16,503**	**-**	**24,323**

5. Intangible assets

	Internally-generated	Acquired	
	Software development	Trademarks	Total
	€	€	€
Year ended 31 December 2021			
Opening net book amount	-	-	-
Additions	-	315	315
Amortisation charge	-	(11)	(11)
Closing net book amount	**-**	**304**	**304**
At 31 December 2021			
Cost	-	315	315
Accumulated depreciation	-	(11)	(11)
Net book amount	**-**	**304**	**304**
Year ended 31 December 2022			
Opening net book amount	-	304	304
Additions	36,416	-	36,416
Amortisation charge	(607)	(62)	(669)
Closing net book amount	**35,809**	**242**	**36,051**
At 31 December 2022			
Cost	36,416	315	36,731
Accumulated depreciation	(607)	(73)	(680)
Net book amount	**35,809**	**242**	**36,051**

Intangible assets are made up of software and trademark. Software development includes capitalised labour incurred in the enhancement and development of software.

6. Investment in subsidiaries

	At 31 December 2022 €	At 31 December 2021 €
Year end 31 December		
Opening cost and carrying amount	**60,964**	45,240
Additions	**-**	15,724
Closing cost and carrying amount	**60,964**	60,964

The subsidiaries at 31 December 2022 are shown below:

	Registered office	Percentage and class of shares held	Nature of business
Onest Market Intelligence Limited	182, Level 2, Mdina Road, Zebbug, ZBG 9015, Malta	60% Ordinary Shares (2021: 60%)	Provision of market Research and data consultancy services
Ginger Media Ltd	182, Level 2, Mdina Road, Zebbug, ZBG 9015, Malta	100% Ordinary Shares (2021: 100%)	Affiliate marketing
Anchovy Digital Ltd	Dubai International Financial Centre, Dubai, United Arab Emirates	60% Ordinary Shares (2021 : 60%)	Digital marketing services.

As at 31 December 2022, the subsidiary's net assets/liabilities and net profits/losses for the financial year then ended amounted to:

Onest Market Intelligence Limited – Net Assets €1,357 and Net Profit €11,731.

Ginger Media Limited – Net Liabilities €21,889 and Net Profit of €8,901.

Anchovy Digital Ltd – Net Liabilities €180,524 and Net Losses €91,476

7. Trade and other receivables

	At 31 December 2022 €	At 31 December 2021 €
Current		
Trade net receivables	**831,876**	387,653
Other debtors	**3,222**	1,106
Amounts due from subsidiaries	**245,237**	195,699
Prepayments and accrued income	**172,487**	24,301
	1,252,822	608,759

7. **Trade and other receivables** - continued

Trade receivables above are disclosed net of provisions for impairment for doubtful debts of €37,637 (2021: €31,617).

As at 31 December 2022, Amounts due from subsidiaries are disclosed net of an impairment of Nil (2021: Nil).

8. **Cash and cash equivalents**

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	At 31 December 2022 €	At 31 December 2021 €
Cash at bank and in hand	**744,919**	825,754
Bank overdraft (Note 10)	**(2,142)**	(842)
	742,777	824,912

The company has unutilised banking facilities amounting to €97,878 (2021: €300,000). An amount of €2,116 (2020: Nil) is held as collateral against the company's borrowings.

9. **Share capital**

	At 31 December 2022 €	At 31 December 2021 €
Authorised		
453,000 Ordinary shares of €1 each	**453,000**	453,000
34,780 Ordinary 'A' shares of €1 each	**34,780**	34,780
12,220 Ordinary 'B' shares of €1 each	**12,220**	12,220
	500,000	500,000
Issued		
34,780 Ordinary 'A' shares of €1 each – 25% paid up	**8,695**	8,695
12,220 Ordinary 'B' shares of €1 each - (312 100% paid up and 11,908 25% paid up)	**3,289**	3,289
	11,984	11,984

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During 2017, for the Company's listing requirements, the Company's authorised share capital was increased from 1,200 ordinary shares of €1 each to 500,000 ordinary shares of €1 each. The Company's issued share capital increased from 1,200 ordinary shares of €1 each (888 ordinary shares of €1 each 20% paid up and 312 ordinary shares of €1 fully paid up) to 47,000 ordinary shares of €1 each (46,688 ordinary shares of €1 each 25% paid up and 312 ordinary shares of €1 each fully paid up).

10. Borrowings

	At 31 December 2022 €	At 31 December 2021 €
Current		
Bank overdraft	**2,142**	842
Non-current		
10,000 5.5% unsecured bonds 2027	**986,213**	983,053

By virtue of the Admission document dated 10 May 2017, the Company issued for subscription by the general public 10,000 unsecured bonds for an amount of €1,000,000. The bonds have a nominal value of €100 per bond and have been issued at par.

The bonds are subject to a fixed Interest rate of 5.5% per annum payable annually in arrears on 19 June of each year. All bonds are redeemable at par (€100 for each bond) on 19 June 2027.

The proceeds from the bond issue are to be used for the Company's general commercial purposes, which will include the following:

- to expand into new markets;
- diversification of offering into new, ancillary areas such as affiliate marketing;
- investing in IT systems and infrastructure;
- strengthening the organisation's capacity and depth, primarily by lateral recruitment within the technology, product development and marketing and sales spaces.

The bonds have been admitted on Prospects MTF, a multilateral trading facility (MTF) operated by the Malta Stock Exchange (MSE). The quoted market price of the bonds at 31 December 2022 was €101.00 (2021: €102.30) which in the opinion of the Directors fairly represented the fair value of these financial liabilities. The fair value estimate in this respect is deemed Level 1 of the fair value measurement hierarchy as it constitutes a quoted price in an active market.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest method as follows:

	At 31 December 2022 €	At 31 December 2021 €
5.5% unsecured bonds 2027		
Original face value of bonds issued	**1,000,000**	1,000,000
Gross amount of bond issue costs	**(31,593)**	(31,593)
Amortisation of gross amount of bond issue costs:		
Amortisation charge for the year	**3,161**	3,159
Accumulated amortisation at end of year	**17,806**	14,645
Unamortised bond issue costs	**(13,787)**	(16,947)
Amortised cost and closing carrying amount	**986,213**	983,053

10. Borrowings - continued

The Company's banking facilities as at 31 December 2022 amounted to €100,000 (2021: €10,000). Such facilities are mainly secured by guarantees from the Company's Directors. As at 31 December 2022, the bank overdraft is subject to a variable rate of interest of 6.15% (2021: 5.65%).

11. Deferred tax

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2021: 35%).

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

At the end of the reporting period the Company had the following unutilised tax credits and temporary differences:

	2021 €	**Movement for the year** **€**	**2022** **€**
Arises on:			
Provisions on receivables	(11,066)	(2,107)	**(13,173)**
Accelerated depreciation	1,544	4,367	**5,911**
Right of use asset	(9,661)	10,017	**356**
	(19,183)	12,277	**(6,906)**

The deferred tax asset arising from temporary differences has been initially recognised in 2022.

12. Trade and other payables

	At 31 December 2022 **€**	At 31 December 2021 €
Trade payables	**559,063**	159,021
Other payables	**40,811**	35,340
Indirect taxation	**29,952**	33,359
Accrued bond interest payable	**29,986**	32,895
Other accruals	**38,018**	17,361
Deferred income	**196,905**	33,100
	894,735	311,076

13. Revenue

The company's revenue is derived from the following sources:

	2022	2021
	€	€
Management services	**288,181**	-
Commission	**89,383**	(141)
Marketing services	**1,666,003**	1,693,942
Total Revenue	**2,043,567**	1,693,801

14. Employee benefit expense

	2022	2021
	€	€
Wages and salaries, including Directors' remuneration	**694,117**	762,056
Social security costs	**39,335**	43,501
	733,452	805,557
Less: COVID wage supplement received	**(5,382)**	(18,944)
	728,070	786,613

Average number of persons employed during the year was 20 (2021: 23).

Included above are Directors' salaries and other emoluments amounting to €193,592 (2021: €220,524).

15. Expenses by nature

	2022	2021
	€	€
Media buying, software and platform expenses	**48,924**	130,597
Legal and other professional fees	**95,437**	70,347
Outsourcing costs	**827,135**	421,283
Other expenses	**185,013**	176,437
Subscriptions, permits and licenses	**52,482**	47,633
Net impairment losses on financial statements	**6,020**	19,469
Total other operating expenses	**1,215,011**	865,765

15. **Expenses by nature** - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2022 relate to the following:

	2022	2021
	€	€
Audit fees	**8,000**	8,000
Non – audit services	**1,200**	1,500
	9,200	8,500

Non- audit services include fees relating to the interim review of the financial statements.

16. Finance costs

	2022	2021
	€	€
Bonds interest expense (Note 10)	**58,159**	58,159
Bank interest and charges	**4,700**	5,570
Finance costs – leases	**2,049**	6,637
	64,908	70,366

17. Tax expense

	2022	2021
	€	€
Current tax expense	**(10,136)**	(15,478)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022	2021
	€	€
Profit before tax	**62,660**	15,128
Tax at 35%	**(21,931)**	(5,295)
Tax effect of:		
Unrecognised deferred tax movement	**5,371**	(7,398)
Disallowed expenses	**23,938**	28,171
Other differences	**2,758**	-
	10,136	15,478

18. Dividends

The company did not distribute a dividend during 2022 (2021: Nil)

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2022	2021
	€	€
Operating profit	**127,568**	85,494
Adjustments for:		
Amortisation of intangible assets	**669**	11
Depreciation of property, plant and equipment	**9,893**	10,587
Depreciation of right of use asset	**13,185**	13,758
Movement in provision for impairment of trade receivables	**6,020**	19,469
Gain on modification of lease	**(28,561)**	-
Loss on sale of property, plant and equipment	**9,507**	193
Rent paid	**(15,294)**	16,400
Changes in working capital:		
Trade and other receivables	**(644,064)**	(90,660)
Trade and other payables	**582,232**	(101,217)
Cash generated from / (used in) operations	**61,155**	(45,965)

20. Operating leases

On 1 January 2019, the Group adopted IFRS 16 Leases using the modified retrospective approach, with no restatement of comparative information and an adjustment of EUR 17,353 to opening retained earnings recorded upon transition. During 2022 the Group terminated all the leases that were in force in the prior year. This has resulted in a gain arising upon termination of the lease amounting to Eur28,561. As from 1st of April 2022 the Group entered into a new lease agreement in relation to use of property for a period of 10 years expiring on 30th June 2032.

Right-of-use assets and lease liabilities have been recognised as separate line items in the statement of financial position. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1st April 2022. The incremental borrowing rate reflects the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine this rate, the company obtained information from its bank for the particular purpose.

20. Operating leases – continued

Amounts recognised in the statement of financial position

	2022	2021
	€	€
Right of use assets		
Buildings at cost		
Opening balance	**120,613**	120,613
Additions	**133,182**	-
Termination of lease	**(120,613)**	-
Closing balance	**133,182**	120,613
Accumulated Depreciation		
Buildings		
Opening balance	**38,070**	24,313
Charge for the year	**13,185**	13,757
Termination of lease	**(41,510)**	-
Closing balance	**9,745**	38,070
Net Book Value		
Buildings	**123,437**	82,543

Additions to the right-of-use asset during the 2022 financial year were €133,182 (2021: Nil). The gain recognised on the modification of a lease during 2022 is €28,561 (2021: Nil)

	2022	2021
Lease Liabilities	€	€
Current	**14,306**	12,355
Non-current	**108,112**	97,791
	122,418	110,146

The statement of profit or loss and other comprehensive income shows the following relating to leases

	2022	2021
	€	€
Depreciation on right of use assets		
Buildings	**(13,185)**	(13,758)
	(13,185)	(13,758)

20. Operating leases – continued

	2022 €	2021 €
Interest expense (included in finance cost)	**(2,049)**	(6,637)
	(2,049)	(6,637)

The total cash outflow for leases in 2022 was €15,294 (2021: €18,320).

The maturity analysis of lease liabilities is detailed as follows:

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
31 December 2022					
Lease liabilities	14,306	-	54,204	53,908	122,418

21. Related parties

The Company's Directors consider the subsidiaries and associate of the Company (Note 6), all entities owned or controlled by common shareholders and the Company's key management personnel to be the principal related parties of the Company. Transactions with these related parties would typically relate to the selling of digital marketing services in the ordinary course of business. Except for transactions disclosed or referred to previously in these financial statements, the operating transactions with related parties that have a material effect on the Company's results and financial position are disclosed below:

	2022 €	2021 €
Sales - provision of digital marketing services		
Subsidiaries	**20,870**	38,604
Other related party	**106,726**	110,934
	127,596	149,538

21. Related parties – continued

Payments of €58,570 (2021: €74,337) have taken place during 2022 on behalf of subsidiaries. Year end balances with related parties, arising principally from the trading transactions referred to above are disclosed below:

	At 31 December 2022 €	At 31 December 2021 €
Amounts owed by subsidiaries	**245,237**	195,699
Amounts owed by related parties (stated net of provisions for impairment)	-	32,754
	245,237	228,453

All balances with related parties are unsecured, interest free and repayable on demand. No guarantees have been given or have been received.

22. Statutory information

Anchovy Studios plc is a public limited liability company and is incorporated in Malta.

23. Contingent liabilities

During 2022 a contingent liability of €2,116 (2021: Nil) has been recognised in respect of bank guarantees which are expected to be realised by the 1st December 2023.

24. Subsequent events

No events with a material impact on the Company occurred after the balance sheet date.

25. Comparative information

Some comparative figures have been reclassified in order to conform with the current year's presentation. Any arithmetical errors identified in the comparative figures have been restated.

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Independent auditor's report

To the Shareholders of Anchovy Studios plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anchovy Studios plc (the Company), set out on pages 12 to 40, which comprise the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Based on our professional judgement there were no key audit matters identified that in our opinion were of such significance in our audit of the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and corporate governance – statement of compliance. Our opinion on the financial statements does not cover this information, including the directors' report.

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Independent auditor's report

To the Shareholders of Anchovy Studios plc (continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with EU IFRS's, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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Independent auditor's report

To the Shareholders of Anchovy Studios PLC (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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Independent auditor's report

To the Shareholders of Anchovy Studios PLC (continued)

Appointment

We were appointed by the shareholders as auditors of Anchovy Studios PLC on 11 July 2019, as for the year ended 31 December 2019 and have operated as a statutory auditor ever since that date.

Consistency with the additional report to those charged with Governance

Our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act);

Non-audit services

We have not provided any of the prohibited services as set out in the accountancy profession act.

This copy of the audit report has been signed by
Paul Giglio (Partner) for and on behalf of

Mazars Malta
Certified Public Accountants
Birkikara,
Malta

27 April 2023