

ANCHOVY STUDIOS PLC

Annual Report and Financial Statements
31 December 2019

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Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

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

Looking back at 2019

2019 was a very challenging and rewarding year for the Company. During the year, we had to work very hard to optimise our operations to ensure that we close the year with a healthy operating profit, while still reporting an increase in revenue.

The core operating team focused on optimising labour costs and minimising operating costs across the entire Company. The Company became more focused with billable and non-billable hours to ensure that the teams utilisation was being optimised across board.

Key Achievements:

1. Continued growth from our core services – Revenue growth of approximately 10% from prior year.
2. The Company reported an operating profit of €163,222, representing an increase of 407% from 2018.
3. Introduction of new services and new methodology of working to provide a better product for our customers

As can be seen, the founders as well as the Company's key driving forces boosted the Company's growth and are finding new ways to generate new revenue leads and to grow further locally and internationally.

Financial results

The Company's revenue for the year amounted to €1,199,335 (2018: €1,093,453) representing an increase of 10%, whilst the operating profit for the year amounted to €163,222 (2018: €32,364), representing a substantial increase of 407%. The profit before tax for the year amounted to €97,109 (2018: loss before tax of €28,296).

During 2019, the company successfully managed to reduce its operating expenses while still reporting a healthy increase in revenue. Even though personnel expenses increased by approximately 6% in 2019 to €651,994, other operating expenses decreased by 19% in 2019, to €326,332. The savings in other operating expenses mainly relate to savings in rental expenses and professional fees.

Depreciation and amortisation for the year amounted to €57,787 (2018: €39,767) and finance costs were €66,113 (2018: €60,660). The main reason for the increase in both depreciation and finance costs related to the implementation of IFRS 16, which is explained in more detail within the report.

The increase in amortisation was mainly a result of the increase in the Company's amortisation of the intangible assets that were initially created during 2017 and further developed during 2018 and 2019.

Finance costs for 2019 mainly include the bond interest payable.

Directors' report - continued

The Company's total asset base stands at €1,511,425 (2018: €1,233,978), which represents an increase of approximately 23% and which is mainly a result of:

- An increase of approximately €121,000 in the Company's bank balance;
- A substantial increase in trade and other receivables (mainly due to intercompany balances) of approximately €219,000, and;
- A decrease of approximately €100,000 relating to intangible assets, which were transferred to a subsidiary before year end.

Total non-current liabilities amounted to €976,735 (2018: €973,575) and represent the bond issue of €1,000,000 less bond issue costs.

Trade and other payables for the year amounted to €226,190 (2018: €129,587).

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 comprehensive income on page 20. The Directors do not recommend the payment of a dividend for the current financial year (2018: €Nil). Retained earnings carried forward at the end of the financial reporting period amounted to €180,449 (2018: €109,270).

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, 1995 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;
- 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.

Directors' report - continued

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, 1995. 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 2018 are included in the Annual Report 2018, 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 have been appointed to replace PricewaterhouseCoopers as the Company's auditors and 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:
682,
High Street,
Hamrun, HMR 1012
Malta

Date

Corporate Governance - Statement of compliance

Preliminary

The Prospect 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”).

The Board of Directors (the “Board”) of Anchovy Studios plc. (the Company”) notes that the Code does not prescribe mandatory rules. It does, however, recommend principles of good practice, and accordingly the Board acknowledges that it is in the interest of the Company and its stakeholders to adhere to governance standards to the extent that these are relevant to the Company, taking its size and the nature of its business.

The Company’s decision-making structure is designed to meet the company requirements and to ascertain that decision making is subject to the checks and balances where this is appropriate.

Companies admitted to Prospects are required to include, in their Annual Report, a Directors’ statement of the extent to which the Company has adopted the Code of Principles of Good Corporate Governance.

This Corporate Governance Statement (the “Statement”) will set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Directors believe that these have been adhered to, and where it has not.

Corporate Governance - Statement of compliance - continued

Compliance with the Code

Principle 1: The Board

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 Directors, individually and collectively, are of the appropriate calibre, with the necessary skills and experience to contribute effectively to the decision-making process. 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. 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.

Principle 2: The Company's 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). This function is undertaken by the Executive Directors.

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 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. During 2019, the composition of the Board was as follows:

Executive Directors

Benjamin Borg
Zachary Borg

Non-Executive Director

Christopher Mifsud

Independent Non-Executive Directors

Dr Lawrence Gonzi

Julian Mamo

Corporate Governance - Statement of compliance - continued

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 Company has a majority of Non-Executive Directors on the Board.

Principles 4 and 5: The Responsibilities of the Board, and Board Meetings

The Board

The Board of Directors of the Company is responsible for the overall long-term direction 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.

Meetings of the Board

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 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 meetings are attended by Grant Thornton Limited, the Corporate Advisors of the Company, the Company Secretary and Mint Finance, 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.

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. All the directors have access to the Company's Corporate Advisors at the Company's expense should they so require.

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.

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

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.

Audit Committee

The Board established an Audit Committee (the "**Committee**"). The members of the Committee are:

Julian Mamo - Chairman
Zachary Borg
Dr Lawrence Gonzi

The members of the Committee have discussed various matters during the meetings held in 2019 and have formally set out the Terms of Reference of the Committee. The purpose of the Committee is to protect the interest of the Company's share and bond holders and assist 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 Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

Corporate Governance – Statement of compliance - continued

Attendance of Board and Committee Meetings

During the year under review the Board and the Committee held 4 meetings. All current Board and Committee members attended the meetings held during the pendency of their appointments.

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.

Directors may, where they judge it necessary to discharge their duties as Directors, consult the Corporate Advisors at the expense of the Company.

Principle 7: Evaluation of the Board's performance

The Board believes that its current composition endows the Board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. In view of the size and nature of the Company, it was not considered necessary to carry out a formal evaluation of the Board's performance.

Principle 8: Remuneration and Nomination Committees

In view of the present circumstances the Company does not consider the appointment of a Remuneration Committee to be necessary. With respect to the Nomination Committee, the Board believes that the main principle has been duly complied with, since a formal and transparent procedure for the appointment of Directors has been established in the Company's Articles of Association.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

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.

The general meeting is the highest decision-making body of the Company and is regulated by the Company's Articles of Association. All shareholders registered on the register of members of the Company on a particular record date are entitled to attend and vote at general meetings. A general meeting is called by fourteen (14) days' notice.

At an Annual General Meeting what is termed as "ordinary business" is transacted, namely, the declaration of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and the auditors, the election of Directors, the appointment of auditors and the fixing of remuneration of Directors and auditors. Other business which may be transacted at a general meeting (including at the Annual General Meeting) will be dealt with as "special business".

Corporate Governance – Statement of compliance - continued

Voting at any general meeting takes place by a show of hands or a poll where this is demanded. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands each shareholder is entitled to one vote and on a poll each shareholder is entitled to one vote for each share carrying voting rights of which he is a holder.

Shareholders who cannot participate in the general meeting may appoint a proxy. Appointed proxy holders enjoy the same rights to participate in the general meeting as those to which the shareholder they represent is entitled. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to the items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for such purpose.

Principle 11: Conflicts of Interest

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 find 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 Rules.

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.

Non-compliance with the Code

Principle 1: The Company's Chairman and Chief Executive

As explained above, the Company does not employ a CEO due to its lean operating structure. Despite this, the Company feels that its current organisational structure is appropriate for the size of the Company's operation.

Principle 2: Composition of the Board

The Company does have a majority of Non-Executive Directors appointed to the Board, it does not, at this stage, have a majority of Independent Directors. Given the circumstances of the Company's business and shareholding full adherence to this principle is not necessary.

Principle 3: Responsibilities of the Board

For the purposes of Principle 4(e) while the Board reports that for the year under review it has not organised any information sessions as set out in that provision, during its meetings the Board regularly discusses the Company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.

Corporate Governance – Statement of compliance - continued

Principle 4: Board Meetings

Given the nature and the scale of the Company's business and activities, it has not yet been necessary to set procedures to determine the frequency, purpose, conduct and duration of meetings.

Notwithstanding this, the Company has set regular periodic meetings, and these have always been attended by the Executive and Non-Executive Directors in accordance with the terms of the Company's Articles of Association.

Principle 5: Information and Professional Development

Given the Company's size and the nature of its activities full adherence to this principle is not considered necessary.

The Company is of the view that a succession plan for senior management is not necessary, and that its current operational structures are adequate.

The Directors will re-visit this should the demands placed on the Board and the Company's operations structure become more cumbersome over time.

Principle 6: Evaluation of the Board's performance

In view of the size and nature of the Company, it was not considered necessary to carry out an evaluation of the Board's performance.

Principle 7: 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 8: 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 17 March 2020 and signed on its behalf by:



Benjamin Borg
Director



Zachary Borg
Director

Statement of financial position

		As at 31 December 2019 €	As at 31 December 2018 €
	Notes		
ASSETS			
Non-current assets			
Property, plant & equipment	4	34,395	34,804
Right of use asset	22	84,440	-
Intangible assets	5	-	100,323
Investment in associate	6	67	67
Investment in subsidiary	7	480	240
Total non-current assets		119,382	135,434
Current assets			
Trade and other receivables	8	513,473	298,276
Current tax assets		7,832	37,325
Cash and cash equivalents	9	870,738	749,862
Assets classified as held for sale	10	1,392,043 -	1,085,463 13,081
Total current assets		1,392,043	1,098,544
Total assets		1,511,425	1,233,978
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	11,984	11,984
Retained earnings		180,449	109,270
Total equity		192,433	121,254
Non-current liabilities			
Borrowings	12	976,735	973,575
Lease liability	22	98,788	-
Total non-current liabilities		1,075,523	973,575
Current liabilities			
Borrowings	12	10,309	9,562
Trade and other payables	14	226,190	129,587
Lease liability	22	6,970	-
Total current liabilities		243,469	139,149
Total liabilities		1,318,992	1,112,724
Total equity and liabilities		1,511,425	1,233,978

The notes on pages 15 to 40 are an integral part of these financial statements.

The financial statements on pages 15 to 40 were authorised for issue by the Board on 17 March 2020 and were signed on its behalf by:



Benjamin Borg
Director



Zachary Borg
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Turnover	15	1,172,862	1,064,913
Operating expenses:			
Personnel expenses	16	(651,994)	(617,708)
Depreciation and amortisation	4, 5	(20,816)	(9,577)
Other operating expenses	17	(326,333)	(403,613)
Total operating expenses		(999,143)	(1,030,898)
Operating profit		173,719	34,015
Net investment costs	18	(66,113)	(60,660)
Profit/(Loss) before tax		107,606	(26,645)
Tax expense	19	(8,576)	-
Profit/(Loss) for the year after tax from continuing operations			
– total comprehensive income		99,030	(26,645)
Discontinued operations			
Loss from discontinued operations		(10,498)	(1,651)
Profit for the year		88,532	(28,296)

The notes on pages 15 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 2018		11,984	137,566	149,550
Comprehensive income				
Profit for the year		-	(28,296)	(28,296)
- total comprehensive income		-	(28,296)	(28,296)
Balance at 31 December 2018		11,984	109,270	121,254
Comprehensive income				
Change in accounting policy – IFRS 16		-	(17,353)	(17,353)
Profit for the year		-	88,532	88,532
- total comprehensive income		-	88,532	88,532
Balance at 31 December 2018		11,984	180,449	192,433

The notes on pages 15 to 40 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2019 €	Year ended 31 December 2018 €
Cash flows from operating activities			
Cash generated from operations	21	184,536	60,965
Interest paid		(56,743)	(57,501)
Income tax received/ (paid)		20,916	(16,510)
Net cash used in from operating activities		148,709	(13,046)
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(12,516)	(4,646)
Disposal of property, plant and equipment	4	200	-
Software development costs	5	(18,024)	(55,252)
Investment in associated entity	6	-	(67)
Investment in subsidiary entity	7	(240)	(240)
Proceeds from disposal of associated entity	6	12,500	-
Loans granted to associate	8	(10,500)	-
Net cash used in investing activities		(28,580)	(60,205)
Cash flows from financing activities			
Repayment of lease liabilities	12	(12,800)	-
Net cash generated from/(used in) financing activities		-	-
Net movement in cash and cash equivalents		120,129	(73,251)
Cash and cash equivalents at beginning of year		740,300	813,551
Cash and cash equivalents at end of year	9	860,429	740,300

The notes on pages 15 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).

Standards, interpretations and amendments to published standards that effective in 2019

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting year beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Company's accounting policies.

The Company had to change its accounting policies as a result of adopting IFRS 16 – Leases.

IFRS 16 - 'Leases'

Under IFRS 16, 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. The new standard will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets.

The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. The company will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Upon implementation of the standard there is a choice of full retrospective application (i.e. restating comparatives as if IFRS 16 had always been in force), or retrospective application without restatement of prior year comparatives. This results in the cumulative impact of adoption being recorded as an adjustment to equity at the beginning of the accounting period in which the standard is first applied. On initial application, the company recognized lease liabilities of EUR 112,348 as at 1 January 2019 and a right-of-use asset of EUR 94,995. An adjustment of Eur17,353 was passed in equity. Further disclosures on the impact of the adoption of IFRS 16 leases are found in note 22.

In the opinion of the Company's Directors, there are no other standards that are effective in 2019 and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards as adopted by the EU that are not yet effective for financial periods beginning on 1 January 2019

- Amendments to References to the Conceptual Framework in IFRS Standards – effective 1 January 2020
- Amendments to IAS 1 and IAS 8 Definition of Material - effective 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform- effective 1 January 2020

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

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:

- IFRS 17 - Insurance Contracts
- Amendment to IFRS 3 Business Combinations

It is not expected that the above will have any significant impact on the financial statements of the Company in the period of initial application.

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 from 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.

1.3 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.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

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

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

Domains and website development

Domains acquired are shown at historical cost, which represents their acquisition price. Further website development is capitalised on the basis of the costs incurred to bring to use these assets. The aggregate costs are amortised over their estimated useful lives of four years.

Costs associated with maintaining these intangibles are recognised as an expense when incurred. Development costs that are directly attributable to the design of identifiable and unique websites controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use;
- or sell the intangible asset are available; and;
- the expenditure attributable to the intangible asset during its development can be reliably measured.

1. Summary of significant accounting policies – continued

1.4 Intangible assets - continued

Directly attributable costs that are capitalised as part of these intangible assets include the development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

1.5 Investment in subsidiary

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 from its activities.

An investment in subsidiary is initially measured at cost. After initial recognition, the investment in subsidiary is measured using the equity method.

Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Company's share of the profit or loss or changes in equity of the subsidiary after the date of acquisition, and to recognise any impairment losses. The Company's share of the profit or loss of the subsidiary is recognised in the Company's profit or loss, while the Company's share of the subsidiary's changes in equity is recognised directly in the equity of the Company. Distributions received from the subsidiary reduce the carrying amount of the investment.

1.6 Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

1. Summary of significant accounting policies - continued

1.7 Financial assets

The Company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.7.1.1 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.7.1.2 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.7 Financial assets – continued

1.7.1.2 Measurement - continued

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 2.1(b) for further details.

1.8 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. Summary of significant accounting policies - continued

1.9 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.

1.10 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale, and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. These assets may be a component of an entity, a disposal group or an individual non-current asset.

1.11 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 proceeds.

1.12 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 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.

1.14 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. Summary of significant accounting policies - continued

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition - continued

(b) Interest income

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

1.19 Operating leases

Where the Company is the lessee

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. 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 Plant and equipment and lease liabilities within current and Non-current liabilities and Creditors: amounts falling due within one year accordingly in the Statement of consolidated financial position.

Accounting policy up to 31 December 2018

Leases of assets where a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies - continued

1.20 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.

1.21 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.

1.22 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.

1.23 Discontinued operations

A discontinued operation is a component of the company's business (ie the operations and cashflows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the company). It also represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

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. The Company has no significant currency risk since substantially all assets and liabilities are denominated in euro.

2. Financial risk management - continued

(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 12). 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.

2.1 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 2019 and 31 December 2018, cash and cash equivalents are held with counterparties with a credit rating of BBB- (2018: 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 2019 €	At 31 December 2018 €
Loans and receivable category:			
Trade and other receivables	8	513,473	298,276
Cash and cash equivalents	9	870,738	749,862
		1,384,211	1,048,138

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.

2. Financial risk management - continued

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 effected 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.

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 2019 was determined as follows for trade receivables:

2.1 Financial risk factors - continued

	Current	30 to 60 days overdue	61 to 90 days overdue	91 to 120 days overdue	More than 120 days overdue	Total
31 December 2019						
Expected loss rate	0.84%	0.84%	0.78%	27.23%	6.42%	
Gross carrying amount	83,408	100,694	73,243	31,071	83,695	372,112
Impairment provision	700	846	572	8,461	5,376	15,956
	Current	30 to 60 days overdue	61 to 90 days overdue	91 to 120 days overdue	More than 120 days overdue	Total
31 December 2018						
Expected loss rate	1.37%	1.51%	2.64%	5.17% - 47.82%	50.00%	
Gross carrying amount	65,960	53,963	35,259	69,305	10,493	234,980
Impairment provision	906	816	930	6,584	5,247	14,483

The closing impairment provision for trade receivables as at 31 December 2019 reconciles to the opening impairment provisions as follows:

	At 31 December 2019 €	At 31 December 2018 €
31 December: Opening impairment provision under IAS 39	19,985	17,685
Amounts restated through opening retained earnings	-	5,559
Opening impairment provision as at 1 January under IFRS 9	19,985	23,244
Impairment release recognised in profit or loss during the year	(4,029)	(3,259)
31 December - closing impairment provision	15,956	19,985

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 12) and trade and other payables (Note 14). 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 2018 and 2017 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 2019					
Bonds	55,000	55,000	165,000	1,135,616	1,410,616
Bank overdraft	10,309	-	-	-	10,309
Trade and other payables	226,193	-	-	-	226,193
Total	291,502	55,000	165,000	1,135,616	1,647,118
31 December 2018					
Bonds	55,000	55,000	165,000	1,190,616	1,465,616
Bank overdraft	9,562	-	-	-	9,562
Trade and other payables	129,587	-	-	-	129,587
Total	194,149	55,000	165,000	1,190,616	1,604,765

With respect to the maturity of the Company's financial liabilities as at 31 December 2019 and 31 December 2018, 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.

2.2 Fair value estimation

The fair value information of the Company's non-current interest-bearing borrowings is disclosed in Note 12.

2. Financial risk management - continued

2.2 Fair value estimation (continued)

At 31 December 2019 and 2018, 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 2018					
Cost	13,539	9,907	31,099	6,173	60,718
Accumulated depreciation	(451)	(1,770)	(15,585)	(3,177)	(20,983)
Net book amount	13,088	8,137	15,514	2,996	39,735
Year ended 31 December 2018					
Opening net book amount	13,088	8,137	15,514	2,996	39,735
Additions	-	1,690	2,956	-	4,646
Depreciation charge	(1,439)	(992)	(6,181)	(965)	(9,577)
Closing net book amount	11,649	8,835	12,289	2,031	34,804
At 31 December 2018					
Cost	13,539	11,597	34,055	6,173	65,364
Accumulated depreciation	(1,890)	(2,762)	(21,766)	(4,142)	(30,560)
Net book amount	11,649	8,835	12,289	2,031	34,804
Year ended 31 December 2019					
Opening net book amount	11,649	8,835	12,289	2,031	34,804
Additions	1,372	-	11,144	-	12,516
Disposals	-	-	(3,068)	-	(3,068)
Depreciation charge	(1,626)	(991)	(6,977)	(669)	(10,263)
Depreciation released on disposal	-	-	406	-	406
Closing net book amount	11,395	7,844	13,794	1,362	34,395
At 31 December 2018					
Cost	14,911	11,597	42,131	6,173	74,812
Accumulated depreciation	(3,516)	(3,753)	(28,337)	(4,811)	(40,417)
Net book amount	11,395	7,844	13,794	1,362	34,395

5. Intangible assets

	At 31 December 2019 €	At 31 December 2018 €
Domains and website development		
Year ended 31 December		
Opening net book amount	100,323	75,262
Additions	18,024	55,252
Disposals	(155,494)	-
Amortisation charge for the year	(36,971)	(30,191)
Amortisation released on disposal	74,118	-
Closing net book amount	-	100,323
At 31 December		
Cost	-	137,470
Accumulated amortisation	-	(37,147)
Net book amount	-	100,323

On 31 December 2019, the Company transferred its intangible assets for the price of €81,376.71, which represented the net book value of the assets as at that date, to its fully owned subsidiary, Ginger Media Ltd ("the Transferee"). As a result of the said transfer, the Transferee accepted to become the outright owner of the assets, consisting of domain names and ancillary assets.

6. Investment in associates

	At 31 December 2019 €	At 31 December 2018 €
Year end 31 December		
Opening carrying amount	67	13,081
Reclassification to assets classified as held for sale (Note 10)	-	(13,081)
Additions	-	67
Share of results	-	-
Closing carrying amount	-	67
At 31 December		
Cost	67	67
Share of results	-	-
Carrying amount	67	67

6. Investment in associates - continued

The associate at 31 December 2018 whose results and financial position affected the figures of the Company are shown below:

	Registered office	Percentage and class of shares held	Nature of business
TaaableTechnologies Ltd	SOHO Office Hotel, Edge Water Business Centre, Elia Zammit Street St. Julians, STJ 3150, Malta	28% Ordinary shares (2018: 28%)	Online restaurant booking portal

The associates are not deemed material to the Company taking cognisance of the Company's financial position. Accordingly, the disclosures emanating from IFRS12 'Disclosures of interests in other entities' were not deemed necessary for the user's understanding of the financial results and financial position of the Company. The Company's share of the results of the associates and its share of the assets and liabilities are not deemed material for the purposes of disclosure.

7. Investment in subsidiary

	At 31 December 2019	At 31 December 2018
	€	€
Year end 31 December		
Opening cost and carrying amount	240	-
Additions	240	240
Closing cost and carrying amount	480	240

The additions during the current financial year represent the Company's acquisition of 100% of the ordinary shares in Ginger Media Ltd (refer to Note 5).

The subsidiary at 31 December 2019 is shown below:

	Registered office	Percentage and class of shares held	Nature of business
Onest Market Intelligence Limited	682, High Street, Hamrun, Malta	100% Ordinary Shares (2018: 100%)	Investment holding company
Ginger Media Ltd	682, High Street, Hamrun, Malta	100% Ordinary Shares (2018: 100%)	Affiliate marketing

7. Investment in subsidiary - continued

As at 31 December 2019, the subsidiary's net assets/liabilities and net profits/losses for the financial year then ended amounted to:

Onest Market Intelligence Limited – Net Liabilities €45,521 and Net Losses €43,406.

Ginger Media Limited – Net Assets €240 and Net Losses of €640..

8. Trade and other receivables

	At 31 December 2019 €	At 31 December 2018 €
Current		
Trade receivables	356,155	287,702
Other debtors	139,104	6,066
Prepayments and accrued income	18,214	4,508
	513,473	298,276

Trade receivables above are disclosed net of provisions for impairment for doubtful debts of €15,956 (2018: €19,985).

Other debtors include amounts due from related parties amounting to €137,282 (2018: €720).

As at 31 December 2019, loans due from related parties are disclosed net of an impairment of Nil (2018: €16,220).

9. 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 2019 €	At 31 December 2018 €
Cash at bank and in hand	870,738	749,862
Bank overdraft (Note 12)	(10,309)	(9,562)
	860,429	740,300

10. Assets classified as held for sale

	At 31 December 2019 €	At 31 December 2018 €
Reclassification from investments in associates	-	13,081
	-	13,081

During the previous financial year the Company reclassified the carrying amount of the investment in Fetchit Technologies Ltd, amounting to €13,081, from investment in associates (Note 6), in view of management's decision to dispose of the investment. The carrying amount, at point of transfer, was capped to the expected recoverable amount which was agreed with the buyer.

11. Share capital

	At 31 December 2019 €	At 31 December 2018 €
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.

12. Borrowings

	At 31 December 2018 €	At 31 December 2018 €
Current		
Bank overdraft	10,309	9,562
Non-current		
10,000 5.5% unsecured bonds 2027	976,735	973,575

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 2019 was €102.50 (2018: €103.50) 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 2019 €	At 31 December 2018 €
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 (Note 18)	3,159	3,159
Accumulated amortisation at end of year	8,327	5,168
Unamortised bond issue costs	(23,266)	(26,425)
Amortised cost and closing carrying amount	976,735	973,575

The Company's banking facilities as at 31 December 2019 amounted to €10,000 (2018 €10,000). Such facilities are mainly secured by guarantees from the Company's Directors. As at 31 December 2019, the bank overdraft is subject to a variable rate of interest of 5.65% (2018: 6.2%).

13. 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% (2018: 35%).

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months. The balance at the end of the reporting period represents:

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

	2018 EUR	Movement for the year EUR	2019 EUR
Arises on:			
Provisions on receivables	(6,995)	1,410	(5,585)
Accelerated depreciation	13,526	12,321	1,205
Unabsorbed capital allowances	(6,628)	(6,628)	-
Trading losses	(20,055)	(20,055)	-
	<u>(20,152)</u>	<u>15,772</u>	<u>(4,380)</u>

The deferred tax asset arising from temporary differences has not been reflected in these financial statements.

14. Trade and other payables

	At 31 December 2019 €	At 31 December 2018 €
Trade payables	49,978	8,079
Other payables	28,723	19,609
Indirect taxation	40,958	32,959
Accrued bond interest payable	29,267	29,329
Other accruals	37,000	14,471
Deferred income	40,264	25,140
	<u>226,190</u>	<u>129,587</u>

15. Revenue

Revenue is all derived from the provision of digital marketing activities and ancillary services.

16. Employee benefit expense

	2019 €	2018 €
Wages and salaries, including Directors' remuneration	628,803	618,604
Social security costs	41,215	40,958
	670,018	659,562
Less: employee costs capitalised as part of website development	(18,024)	(41,854)
	651,994	617,708

Average number of persons employed during the year was 24 (2018: 25).

Included above are Directors' salaries and other emoluments amounting to €151,025 (2018: €139,025).

17. Expenses by nature

	2018 €	2018 €
Media buying, software and platform expenses	93,510	144,676
Legal and other professional fees	50,258	51,898
Property operating lease rentals payable	3,750	45,993
Movements in provision for impairment of trade receivables	(4,029)	(3,259)
Movements in provision for impairment of shareholder loan	-	16,220
Other expenses	182,843	148,085
Total other operating expenses	326,332	403,613

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 relate to the following:

	2019 €	2018 €
Audit fees	7,000	7,000

18. Finance costs

	2018 €	2018 €
Bonds interest expense (Note 12)	58,159	58,159
Bank interest and charges	1,744	2,501
Finance costs – rent	6,210	-
	66,113	60,660

19. Tax expense

	2019	2018
	€	€
Current tax expense	5,004	-

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

	2019	2018
	€	€
Profit/(Loss) before tax	97,109	(28,296)
Tax at 35%	33,988	(9,904)
Tax effect of:		
Unrecognised deferred tax movement	(15,772)	5,706
Disallowed expenses	7,658	4,198
Deduction on IP sold -	(5,201)	-
Tax effect of transfer of intangible	(12,629)	-
Income taxed at lower rates	(49)	-
Other differences	(772)	-
	8,614	-

20. Discontinued operations

	2019	2018
	€	€
Loss for the year from discontinued operations		
Revenue	26,473	28,535
Amortisation	(36,971)	(30,191)
Loss from operating activities	(10,498)	(1,651)

21. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:		
	2019	2018
	€	€
Operating profit	163,221	32,364
Adjustments for:		
Amortisation of intangible assets	36,969	30,191
Depreciation of property, plant and equipment	10,262	9,577
Depreciation of right of use asset	10,555	-
Movement in provision for impairment of trade receivables	(4,029)	(3,259)
Impairment of shareholders loans	-	16,220
Loss on sale of property, plant and equipment	129	-
Loss on sale of investment in associate	581	-
Changes in working capital:		
Trade and other receivables	(130,031)	6,529
Trade and other payables	96,879	(30,657)
Cash generated from operations	184,536	60,965

22. Operating leases

Where the Company is the lessee

On 1 January 2019, the Group adopted IFRS 16 Leases using the modified retrospective approach, with no restatement of comparative information and an immaterial adjustment of Eur17,353 to opening retained earnings recorded upon transition. Leases recognized in relation to Property are for a period of 13 years expiring on 31 December 2028. 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 1 January 2019. 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.

Amounts recognised in the statement of financial position

	2019
	€
Right of use assets	
Cost	
Buildings	94,995
	94,995
Accumulated Depreciation	
Buildings	10,555
	10,555

Net Book Value

Buildings	84,440
	<u>84,440</u>
	2019
Lease Liabilities	€
Current	6,970
Non-current	98,788
	<u>105,758</u>

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

	2019
Depreciation on right of use assets	€
Buildings	(10,555)
	<u>(10,555)</u>
	2019
	€
Interest expense (included in finance cost)	6,210
Expenses relating to leases of low value assets	3,600
	<u>9,810</u>

The total cash outflow for leases in 2019 was €12,800.

Up to 31 December 2018

The future minimum lease payments payable under non-cancellable property operating leases principally relate to office rentals which expire within a period ranging from 3 months to 14 months from the end of the reporting period.

	2019	2018
	€	€
Not later than 1 year	4,101	4,101
Later than 1 year and not later than 5 years	-	-
	<u>4,101</u>	<u>4,101</u>

24. Contingencies

The Company's contingent liabilities as at 31 December 2018 includes:

	2019 €	2018 €
Bank guarantees	-	3,090
	-	3,090

25. Related parties

The Company's Directors consider the subsidiary and associate of the Company (Note 6 and 7), 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:

	2019 €	2018 €
Sales - provision of digital marketing services		
Associate	-	-
Key management personnel	-	-
Other related party	181,906	127,611
	181,906	127,611

Key management personnel comprise the Directors of the Company. Key management personnel compensation relates to the Directors' remuneration which is disclosed in Note 16.

Year end balances with related parties, arising principally from the trading transactions referred to above are disclosed below:

	At 31 December 2019 €	At 31 December 2018 €
Amounts owed by associate (stated net of provisions for impairment)	10,433	12,000
Amounts owed by subsidiaries	137,282	720
Amounts owed by related party (stated net of provisions for impairment)	71,037	56,322
	218,752	69,042

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

26. Statutory information

Anchovy Studios plc is a public limited liability company and is incorporated in Malta. These financial statements present information about the Company as an individual undertaking. The company is exempt from the preparation of consolidated financial statements by virtue of Section 173 of the Companies Act, 1995.

Independent auditor's report

To the Shareholders of Anchovy Studios plc

Report on the Audit of the Financial Statements

We have audited the financial statements of Anchovy Studios plc (the Company), set out on pages 11 to 40, which comprise the statement of financial position as at 31 December, 2019 and the statement of 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 31 December 2019, 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). The audit opinion is consistent with the additional report to the audit committee referred to in the Audit Regulation.

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 also confirm we have not provided any of the prohibited non-audit services referred to in those standards. 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 Matter

A key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Independent auditor's report (continued)

To the Shareholders of Anchovy Studios plc

Key Audit Matter (continued)

Accounting of Intangible Assets (continued)

Risk description

During the year ending 31 December 2019, the Company held intangible assets, which were then transferred to a related party. The risks associated with such intangible assets were as follows: the development costs being capitalised are those costs that are directly attributable to the design of identifiable and unique websites controlled by the Company and are in line with the measurement criteria stipulated in IAS 38. Secondly, the judgement used to establish the useful lives of the intangible assets that are subject to amortization.

How the scope of our audit responded to the risk

We obtained assurance over the appropriateness of management's assumptions applied in the accounting of intangible assets as follows:

- The labour costs being capitalised were directly attributable to the design of identifiable and unique websites controlled by the Company and are in line with the measurement criteria stipulated in IAS 38
- The judgment used to establish the useful lives and whether such assets may be subject to impairment as a result of events or changes in circumstances that may indicate that the carrying amount may not be recoverable
- The assumptions being made by management in the model being used in order to calculate the hourly rate per employee
- We evaluated the suitability and appropriateness of the methodology applied for the capitalisation in the following manner:
 - Re-performing the calculation used in the model so as to obtain audit evidence on the accuracy of the key inputs in the workings compared to the appropriate sources
 - Testing the rate per hour capitalised and agreed to the actual payroll cost as per the FSS documents and also the assumptions taken
 - Agreeing on a sample basis the hours used as an input in the capitalisation model to the electronic timesheets of the respective individuals deployed on website development
 - Challenging the estimated useful life applied by management for the internally generated websites

Refer to the disclosures on intangible assets in the significant accounting policies and note 5 to the financial statements

Independent auditor's report (continued)

To the Shareholders of Anchovy Studios plc

Other Matter

The financial statements of the Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 12, 2019.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report, chairman's statement, chief executive officer review, (include any Other Information in Documents Containing Audited Financial Statements). Our opinion on the financial statements does not cover this information, including the directors' report.

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.

Independent auditor's report (continued)

To the Shareholders of Anchovy Studios plc

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:

- 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.

Independent auditor's report (continued)

To the Shareholders of Anchovy Studios pic

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.

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors. We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the Corporate Governance Statement cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 4 to 10 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Adequacy of explanations received and accounting records

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Independent auditor's report (continued)

To the Shareholders of Anchovy Studios plc

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 statutory auditor ever since that date.



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

Mazars Malta
Certified Public Accountants
Attard,
Malta

17 March 2020