

**BMIT Technologies p.l.c. Preliminary Statement of Group Results and State of Affairs
For the Year Ended and at 31 December 2018**

This Statement is published pursuant to The Malta Financial Services Authority Listing Rules Chapter 5 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.

The financial information has been extracted from BMIT Technologies p.l.c.'s Annual Report and Consolidated Financial Statements for the year ended 31 December 2018 as approved by the Board of Directors on 7 March 2018, which have been audited by PricewaterhouseCoopers. These financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU.

These financial statements will be laid before the members at the general meeting to be held on 27 May 2019. The Group's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386).

Statement of financial position

	As at 31 December			
	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
ASSETS				
Non-current assets				
Property, plant and equipment	6,554	6,555	-	-
Intangible assets	3,690	4,535	-	-
Investment in subsidiaries	-	-	20,359	18,487
Investment in associate	18	18	-	-
Trade and other receivables	161	213	-	-
Total non-current assets	10,423	11,321	20,359	18,487
Current assets				
Inventories	208	229	-	-
Trade and other receivables	2,306	1,983	865	3,590
Cash and cash equivalents	667	2,244	-	-
Total current assets	3,181	4,456	865	3,590
Total assets	13,604	15,777	21,224	22,077

Statement of financial position - continued

	As at 31 December			
	Group		Company	
	2018	2017	2018	2017
	€'000	€'000	€'000	€'000
EQUITY AND LIABILITIES				
Equity				
Share capital	20,360	9,110	20,360	9,110
Other reserves	(4,097)	(2,964)	-	-
Accumulated losses/retained earnings	(9,390)	(9,917)	4	1
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Capital and reserves attributable to owners of the Group	6,873	(3,771)	20,364	9,111
Non-controlling interest	-	692	-	-
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Total equity	6,873	(3,079)	20,364	9,111
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Non-current liabilities				
Trade and other payables	194	-	-	-
Deferred tax liabilities	508	646	-	-
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Total non-current liabilities	702	646	-	-
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Current liabilities				
Trade and other payables	5,846	18,156	860	12,966
Current tax liabilities	183	54	-	-
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Total current liabilities	6,029	18,210	860	12,966
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Total liabilities	6,731	18,856	860	12,966
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Total equity and liabilities	13,604	15,777	21,224	22,077

The financial statements were authorised for issue by the Board on 7 March 2019 and were signed on its behalf by:



Nikhil Patil
Chairman



Charmaine Farrugia
Director

Income statement

	As at 31 December			
	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Revenue	21,274	19,717	-	-
Cost of sales	(11,721)	(10,573)	-	-
Gross profit	9,553	9,144	-	-
Administrative expenses	(2,580)	(2,784)	(3)	(2)
Investment income	-	-	6,162	6,697
Profit before tax	6,973	6,360	6,159	6,695
Tax expense	(2,477)	(2,309)	(2,156)	(2,344)
Profit for the year	4,496	4,051	4,003	4,351
Attributable to				
Owners of the Company	4,487	3,795	4,003	4,351
Non-controlling interest	9	256	-	-
Profit for the year	4,496	4,051	4,003	4,351
Earnings per share	39c7	41c6		

Statement of changes in equity

Group	Share capital €'000	Adjustment relating to non- controlling interest €'000	Accumulated losses €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 January 2017	9,110	(2,964)	(9,362)	(3,216)	1,011	(2,205)
Comprehensive income						
Profit for the year	-	-	3,795	3,795	256	4,051
Transactions with owners						
Dividends	-	-	(4,350)	(4,350)	(575)	(4,925)
Balance at 31 December 2017	9,110	(2,964)	(9,917)	(3,771)	692	(3,079)
Balance at 1 January 2018 – as originally reported	9,110	(2,964)	(9,917)	(3,771)	692	(3,079)
<i>Impact of changes in accounting policies</i>						
Transition adjustment upon adoption of IFRS 9 on 1 January 2018	-	-	40	40	38	78
Balance at 1 January 2018 – as restated	9,110	(2,964)	(9,877)	(3,731)	730	(3,001)
Comprehensive income						
Profit for the year	-	-	4,487	4,487	9	4,496
Transactions with owners						
<i>Changes in ownership interest that do not result in loss of control</i>						
Acquisition of non-controlling interest in subsidiary	-	(1,133)	-	(1,133)	(739)	(1,872)
Issue of ordinary shares	11,250	-	-	11,250	-	11,250
Dividends	-	-	(4,000)	(4,000)	-	(4,000)
Total transactions with owners	11,250	(1,133)	(4,000)	6,117	(739)	5,378
Balance at 31 December 2018	20,360	(4,097)	(9,390)	6,873	-	6,873

Statement of changes in equity - continued

Company	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2017	9,110	-	9,110
Comprehensive income			
Profit for the year	-	4,351	4,351
Transactions with owners			
Dividends	-	(4,350)	(4,350)
Balance at 31 December 2017	9,110	1	9,111
Balance at 1 January 2018	9,110	1	9,111
Comprehensive income			
Profit for the year	-	4,003	4,003
Transactions with owners			
Issue of ordinary shares	11,250	-	11,250
Dividends	-	(4,000)	(4,000)
Total transactions with owners	11,250	(4,000)	7,250
Balance at 31 December 2018	20,360	4	20,364

Statement of cash flows

	As at 31 December			
	Group		Company	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Cash flows from operating activities				
Cash generated from/(used in) operations	8,309	9,551	1,866	(3)
Investment income	-	-	6,162	6,697
Income tax paid	(2,486)	(2,524)	(2,156)	(2,344)
Net cash from operating activities	5,823	7,027	5,872	4,350
Cash flows from investing activities				
Purchase of property, plant and equipment, net of disposals	(1,528)	(1,050)	-	-
Payment to acquire non-controlling interest in subsidiary	(1,872)	-	(1,872)	-
Net cash used in investing activities	(3,400)	(1,050)	(1,872)	-
Cash flows from financing activities				
Dividends paid	(4,000)	(4,925)	(4,000)	(4,350)
Net cash used in financing activities	(4,000)	(4,925)	(4,000)	(4,350)
Net movement in cash and cash equivalents	(1,577)	1,052	-	-
Cash and cash equivalents at beginning of year	2,244	1,192	-	-
Cash and cash equivalents at end of year	667	2,244	-	-

Review of financial performance & financial position

The Group generated revenue of €21.3 million (2017: €19.7 million), an increase of €1.6 million over the comparative year. Revenue is growing year on year across all categories, except for the resale of hardware and software. The most significant increases were in the sale of connectivity services (up by 23%) and colocation services (up by 11%). Cloud and managed services are also improving year on year with an increase of 9% between 2018 and 2017.

Cost of sales and administrative expenses amounted to €14.3 million (2017: €13.4 million). The main increase of €0.9 million is the result of the increase in sales activity which has driven up the cost of goods sold, increase in payroll and marketing costs, and a one-time impairment charge of €0.5 million for the Kinetix brand which use shall be discontinued in 2019.

Group Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) grew by 8% to €9.3 million, an increase of €0.7 million over the comparative year, representing underlying growth in the operating performance of the Group.

Profit before tax amounted to €7.0 million (2017: €6.4 million) resulting in an earnings per share of €0.397 (2017: €0.416). Despite an increase in profits, earnings per share decreased by 4.6% due to an increase in the weighted average number of shares in issue after the capitalisation of amounts due to its immediate parent.

Cash generated from operations amounted to €5.8 million (2017: €7.0 million), a decrease of €1.2 million compared to 2017 due to settlement of balances with the immediate parent. In 2018, the Group's investments in property, plant and equipment amounted to a cash outflow of €1.5 million (2017: €1.1 million), whereas BMIT Technologies' acquisition of the remaining 49% of the issued share capital of Kinetix IT Solutions Limited (Kinetix) resulted in a further cash outflow of €1.9 million. The first 51% was acquired in 2016 for a consideration of €1.2 million.

During the year, the Group paid dividends amounting to €4 million (2017: €4.9 million). The Group's cash and cash equivalents as at year end amounted to €0.7 million (2017: €2.2 million), a decrease of €1.5 million over prior year which was largely due to the cash outflow to fully acquire Kinetix.

Financial position

As at 31 December 2018, the BMIT Technologies Group held property, plant and equipment with a net book value of €6.6 million, keeping the same value as the previous year. The value comprises data centre equipment with a carrying amount of €4.1 million, and office furniture and equipment with a carrying amount of €0.8 million, at BMIT Technologies Group's data centres in Handaq and Smart City. The value of leased equipment, relating to computer hardware and software acquired by the Group and leased to its data centre clients, increased from €0.8 million as at 31 December 2017 to €1.2 million as at 31 December 2018 reflecting the increase in customers' demand in this area. Development of the new data centre in Zejtun continued during 2018 and other assets in the course of construction and improvements to premises amounted to €0.5 million as at the same date.

The estimated useful life of the data centre and infrastructure has been reviewed at the beginning of the year following management's reassessment of the duration for which the equipment will be useful to the business. The effect of this change in accounting estimate on the Group's financial results for the year under review and on the financial position as at the end of the reporting period was a decrease in the depreciation charge of €213,000 and an equivalent increase in net assets.

As at 31 December 2018, BMIT Technologies Group also held intangible assets with a value of €3.7 million (2017: €4.5 million) relating to the brand names ('BMIT' and 'Kinetix'), customer relations and goodwill arising upon the acquisitions of the subsidiary companies. The decrease of €0.8 million in the value of intangible assets includes €0.5 million impairment charge for the 'Kinetix' brand which shall be discontinued at some point during 2019.

Review of financial performance & financial position - continued

The BMIT Technologies Group, through BM IT Limited, held a 40% shareholding in MIGS Limited, which in turn held a 40% shareholding in iGaming Idol Limited. BMIT Technologies Group's investment in these two companies is carried at €18k as at 31 December 2018 and 2017.

The Group's current assets amounted to €3.2 million (2017: €4.7 million) and are mainly represented by trade and other receivables of €2.3 million (2017: €2.2 million) and cash of €0.7 million (2017: €2.2 million). Total liabilities decreased from €18.9 million as at 31 December 2017 to €6.7 million as at 31 December 2018, following the capitalisation of the balances due to GO.

Shareholders' funds as at year end amounted to €6.9 million compared to a negative €3.1 million as at 31 December 2017. The accumulated negative retained earnings balance of €9.4 million as at 31 December 2018 (2017: €9.9 million) is the result of dividends which are based on the profits available for distribution from the subsidiaries before taking into consideration the amortisation of intangible assets arising upon consolidation. The negative reserves of €4.1 million (2017: €3.0 million) is due to the excess of consideration over the carrying amount of the non-controlling interests acquired on the investment of the subsidiaries.

On 25 October 2018, BMIT Technologies capitalised an amount of €11.2 million due to GO in exchange for the issue and allotment of new shares to GO in BMIT Technologies. This amount related to funds advanced by GO to BMIT Technologies to complete the acquisition of the BM companies and Kinetix. As a result of this transaction, the issued share capital of BMIT Technologies increased from €9.1 million to €20.4 million, thereby eliminating the negative equity reserves of the BMIT Technologies Group.