Company Registration Number: C91408

AGORA ESTATES P.L.C.

Consolidated and Separate Financial Statements

For the year ended
31 December 2020

Contents

Directors' Report

The directors present their consolidated and separate audited financial statements for the year ended 31 December 2020. The comparative consolidated and separate financial statements cover the year from 9 April 2019 to 31 December 2019.

Principal activity

The parent Company's principal activity is to hold shares in subsidiary companies. The latter hold investment properties for capital appreciation and rental income. They also hold properties held-for-resale.

Review of the business

The Group and the Company continued its trading operations during the year and has reported positive results. The level of business and the Group's and the Company's financial position is as expected and the directors expect that the level of business and the Group's and the Company's financial position will improve in foreseeable future.

Results and dividends

The consolidated statement of comprehensive income is set out on page 4. The directors do not recommend the payment of a dividend.

Directors

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

Silvio Mifsud
Audrey-Anne Hughes
Joseph Schembri
James Zammit
Ivan Bartolo (resigned 1 October 2020)

In accordance with the Company's Articles of Association, the present directors shall remain in office.

Directors' Report – continued

Statement of directors' responsibilities

The directors are required by the Companies Act, 1995 to prepare consolidated and separate financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of the profit or loss for that year.

In preparing the consolidated and separate financial statements, the directors are responsible for ensuring that:

- appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates;
- the consolidated and separate financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- the consolidated and separate financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the consolidated and separate financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial reporting framework

The directors have resolved to prepare the Group's consolidated and the Company's separate financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

Directors' Report – continued

Auditor

A resolution to reappoint the firm Busuttil & Micallef as auditor of the Group and the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Joseph Schembri
Director

James Zammit
Director

Registered address:
Aries House
Mdina Road
Zebbug, ZBG 9016
Malta

31 July 2021

Consolidated Statement of Comprehensive Income

		Year/ period ended 31 December			
	Notes	**The Group 2020 €**	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Revenue	2	**1,850,000**	1,880,007	-	-
Cost of sales	3	**(1,089,054)**	(1,325,880)	-	-
Gross profit		**760,946**	554,127	-	-
Administrative expenses	3	**(285,424)**	(308,468)	**(206,582)**	(66,493)
Other income	7	**629,322**	402,483	**120**	295
Operating profit/(loss)		**1,104,844**	648,142	**(206,462)**	(66,198)
Investment income	5	**101**	81	**1,031,547**	-
Finance costs	6	**(46,035)**	(106,379)	-	-
Fair value (loss)/ gain on investment properties		**(9,354)**	3,942,271	-	-
Profit/(loss) before income tax		**1,049,556**	4,484,115	**825,085**	(66,198)
Income tax	8	**(332,412)**	(581,231)	**(282,347)**	-
Total comprehensive income/(loss) for the financial year/ period		**717,144**	3,902,884	**542,738**	(66,198)
Attributable to:					
Equity holders of the parent		**717,143**	3,902,734	-	-
Non-controlling interests		**1**	150	-	-
		717,144	3,902,884	-	-

The accountancy policy and explanatory notes on pages 11 to 42 form an integral part of the financial statements.

Consolidated Statement of Financial Position

		Year/ period ended 31 December			
	Notes	**The Group 2020 €**	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
ASSETS					
Non-current assets					
Goodwill	10	**3,241,988**	3,241,988	**-**	-
Intangible assets	11	**2,819**	2,434	**2,819**	2,434
Investment properties	12	**26,817,289**	24,938,829	**-**	-
Tangible assets					
Property, plant and equipment	9	**33,886**	41,539	**-**	-
Trade and other receivables	15	**-**	-	**7,230,306**	-
Financial assets					
Investments in subsidiaries	13	**-**	-	**1,001,550**	121,550
		30,095,982	28,224,790	**8,234,675**	123,984
Current assets					
Inventories	14	**4,330,738**	4,919,140	**-**	-
Trade and other receivables	15	**2,206,303**	1,736,660	**48,226**	3,628,532
Cash and cash equivalents	24	**602,999**	134,505	**62,500**	62,500
Current tax	23	**-**	5,429	**-**	-
		7,140,040	6,795,734	**110,726**	3,691,032
Total assets		**37,236,022**	35,020,524	**8,345,401**	3,815,016
EQUITY					
Capital and reserves					
Share capital	16	**62,501**	62,501	**62,501**	62,501
Retained earnings/ (Accumulated losses)	17	**11,338,308**	10,621,165	**476,540**	(66,198)
Shareholder's contribution	18	**6,730,306**	-	**6,730,306**	-
Equity attributable to equity holders of the parent		**18,131,115**	10,683,666	**7,269,347**	(3,697)
Non-controlling interests		**1,317**	1,316	**-**	-
Total equity		**18,132,432**	10,684,982	**7,269,347**	(3,697)

Consolidated Statement of Financial Position – continued

	Notes	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
		Year/ period ended 31 December			
LIABILITIES					
Non-current liabilities					
Interest-bearing borrowings	19	**5,469,115**	6,104,796	**-**	-
Deferred taxation	22	**1,016,923**	1,017,671	**-**	-
Trade and other payables	20	**549,792**	3,580,306	**-**	3,580,306
		7,035,830	10,702,773	**-**	3,580,306
Current liabilities					
Interest-bearing borrowings	19	**1,012,456**	1,118,153	**-**	-
Trade and other payables	20	**10,757,855**	12,426,416	**1,076,054**	238,407
Current taxation	23	**297,449**	88,200	**-**	-
		12,067,760	13,632,769	**1,076,054**	238,407
Total liabilities		**19,103,590**	24,335,542	**1,076,054**	3,818,713
Total equity and liabilities		**37,236,022**	35,020,524	**8,345,401**	3,815,016

The accountancy policy and explanatory notes on pages 11 to 42 form an integral part of the financial statements.

The consolidated and separate financial statements on pages 4 to 42 were approved and authorised for issue by the Board of Directors on 31 July 2021 and were signed on its behalf by:

Joseph Schembri
Director

James Zammit
Director

Consolidated Statement of Changes in Equity

The Company

	Note	Share capital €	Retained earnings/ (Accumulated Losses) €	Shareholder's contribution €	Total €
Issue of share capital		62,501	-	-	62,501
Comprehensive loss					
Total comprehensive loss for the financial period		-	(66,198)	-	(66,198)
Balance at 31 December 2019		**62,501**	**(66,198)**	**-**	**(3,697)**
Balance at 1 January 2020		62,501	(66,198)		(3,697)
Comprehensive income					
Total comprehensive income for the financial year		-	542,738		542,738
Shareholder's contribution	18	-	-	6,730,306	6,730,306
Balance at 31 December 2020		**62,501**	**476,540**	**6,730,306**	**7,269,347**

The accountancy policy and explanatory notes on pages 11 to 42 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity – continued

The Group

	Note	Attributable to the equity holders of the parent					
		Share capital	Retained earnings	Shareholder's contribution	Total	Non-controlling interests	Total Equity
		€	€	€	€	€	€
Retained earnings taken over upon acquisition		-	6,718,431	-	**6,718,431**	1,166	**6,719,597**
Issue of share capital		62,501	-	-	**62,501**	-	**62,501**
Comprehensive income							
Total comprehensive income for the financial period		-	3,902,734	-	**3,902,734**	150	**3,902,884**
Balance at 31 December 2019		**62,501**	**10,621,165**	**-**	**10,683,666**	**1,316**	**10,684,982**
Balance at 1 January 2020		62,501	10,621,165	-	**10,683,666**	1,316	**10,684,982**
Shareholder contribution	18	-	-	6,730,306	**6,730,306**	-	**6,730,306**
Comprehensive income							
Total comprehensive income for the financial year		-	717,143	-	**717,143**	1	**717,144**
Balance at 31 December 2020		**62,501**	**11,338,308**	**6,730,306**	**18,131,115**	**1,317**	**18,132,432**

Included in the Group's retained earnings are fair value gains net of deferred tax on investment property amounting to €10,303,803 (2019: €10,312,409) which are not distributable to the company's shareholders.

The accountancy policy and explanatory notes on pages 11 to 42 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

	Notes	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
		Year/ period ended 31 December			
Operating activities					
Cash generated from/(used in) operating activities	21	**3,296,780**	1,667,202	**(64,202)**	(82,292)
Interest received	5	**101**	81	**-**	-
Interest paid	6	**(46,035)**	(106,379)	**-**	-
Tax paid		**(118,483)**	(203,699)	**-**	-
Net cash generated from/(used in) operating activities		**3,132,363**	1,357 205	**(64,202)**	(82,292)
Investing activities					
Purchase of intangible assets	11	**(1,595)**	(3,245)	**(1,595)**	(3,245)
Purchase of property, plant and equipment	9	**(6,881)**	-	**-**	-
Purchase of investment in subsidiaries	13	**-**	-	**(880,000)**	(121,550)
Movements in investment property	12	**(1,887,814)**	7,695,367		
Disposal of investment property	12	**-**	1,141,200	**-**	-
Net cash (used in)/ generated from investing activities		**(1,896,290)**	8,833,322	**(881,595)**	(124,795)

Consolidated Statement of Cash Flows – continued

		Year/ period ended 31 December			
	Notes	**The Group 2020 €**	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Financing activities					
Movements in amounts due from related parties		**(725,094)**	(10,249,314)	**-**	-
Increase in loan to subsidiary		**-**	-	**(2,843,191)**	(3,580,306)
Movement in loan from shareholder		**(3,580,306)**	3,580,306	**(3,580,306)**	3,580,306
Movement in non-controlling interest		**1**	1,316	**-**	-
Movement in amounts due to related parties		**(2,451,108)**	-	**638,988**	207,086
Increase in shareholder's contribution	18	**6,730,306**	-	**6,730,306**	-
Issue of share capital	16	**-**	62,501	**-**	62,501
Movement in long-term borrowings	19	**(635,681)**	1,439,415	**-**	-
Movement in short-term borrowings	19	**(105,697)**	(1,224,222)	**-**	-
Net cash (used in)/ generated from financing activities		**(767,579)**	(6,389,998)	**945,797**	269,587
Movements upon acquisition		**-**	(3,666,024)	**-**	-
Movement in cash and cash equivalents		**468,494**	134,505	**-**	62,500
Cash and cash equivalents at beginning of year/period		**134,505**	-	**62,500**	-
Cash and cash equivalents at end of year/period	24	**602,999**	134,505	**62,500**	62,500

The accountancy policy and explanatory notes on pages 11 to 42 form an integral part of the financial statements.

Notes to the Consolidated and Separate Financial Statements

1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to the year/ period presented, unless otherwise stated.

a. Basis of preparation

i. Basis of measurement and statement of compliance

These consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Companies Act, 1995. The consolidated and separate financial statements are prepared under the historical cost convention.

ii. Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

However, in the opinion of the directors, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements.

1. **Accounting policies** - continued

iii. Application of new and revised International Financial Reporting Standards as adopted by the EU (IFRSs)

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group and the Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group and the Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

1. Accounting policies – continued

iii. Adoption of new and revised standards – continued

Application of new and revised International Financial Reporting Standards as adopted by the EU (IFRSs) – continued

iv. New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, The Group and the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current and Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and the Company in future periods.

b. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

1. **Accounting policies** – continued

b. **Business combinations and goodwill** – continued

When the Company acquires a business, it assesses the financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposal operation and the portion of the cash-generating unit retained.

c. **Revenue recognition**

Revenue from the sale of property is recognised when the significant risks and rewards of ownership have been transferred to the buyer and what the inflow of economic benefits associated with the transaction is probable.

Other revenues earned by the Group are recognised on the following basis:

Interest income – as it accrues, unless collectability is in doubt.

Dividend income – when the shareholder's right to receive payment is established.

1. Accounting policies – continued

d. Foreign currencies

Functional and presentation currency

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

e. Intangible assets

Intangible assets comprise website development.

Website development is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 4 years. Costs associated with maintaining the website are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy i).

f. Property, plant and equipment

Property, plant and equipment, comprising motor vehicles and furniture and fittings initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying property, plant and equipment are capitalised as part of its cost. A qualifying property, plant and equipment is an asset that necessarily takes a substantial year of time to get ready for its intended use. Borrowing costs are capitalised while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

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 Group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

1. Accounting policies – continued

f. Property, plant and equipment – continued

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

• Motor vehicles	20%
• Furniture and fittings	10%

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy (i)).

Until the the Group's adoption of IAS 23, "Borrowing costs" (revised 2007) from 1 January 2018, where borrowing costs on qualifying assets are capitalised (refer to Accounting policy "q"), the Company elected to expense all borrowing costs.

g. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property comprises freehold and leasehold land and buildings.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred. Changes in fair values are recorded in the consolidated statement of comprehensive income.

1. **Accounting policies** – continued

h. Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. The dividend income from such investments is included in the statement of comprehensive income in the accounting year in which the Group's rights to receive payment of any dividend is established. The Company gathers objective evidence that an investment is impaired using the same process disclosed in accounting policy (i). On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

i. Impairment of non-financial assets

Assets that are subject to amortisation or depreciation 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.

j. Inventories

Property held for development and resale

When the main object of a property project is the development for resale purposes, the asset is classified in the consolidated financial statements as inventory. Any elements of a project which are identified for business operation or long-term investment purposes are transferred at their carrying amount or fair value to property, plant and equipment or investment property when such identification is made and the cost thereof can be reliably segregated.

Property held for development is carried at the lower of cost and net realisable value.

Cost comprises the purchase cost of acquiring the property together with other costs incurred during its subsequent development, including:
(i) the costs incurred on development works, including demolition, site clearance, excavation, construction and other activities together with the costs of ancillary activities such as site security;
(ii) the cost of various design and other studies conducted in connection with the project together with all other expenses incurred in connection therewith;
(iii) any borrowing costs attributable to the development phases of the project.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Gains and losses on disposal of property inventories are determined by reference to their carrying amount and are taken into account in determining gross profit.

1. Accounting policies - continued

k. Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or 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 carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the set original terms. Bad debts are written off during the year in which they are identified.

l. Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at face value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise deposits held at call with banks.

m. Trade and other payables

Trade and other payables are 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.

n. Current and Deferred taxation

The tax expense for the year comprises current and deferred taxation.

Taxation 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 equity, respectively.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year 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 profits will be available against which the temporary differences can be utilised.

o. Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1. Accounting policies - continued

p. Share capital and dividends

Ordinary shares are classified as equity.

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

q. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting year.

2. Revenue

All of the Group's Revenue is generated from the sale of properties.

3. Expenses by nature

	Year/ Period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Amortisation of intangible assets (Note 11)	**1,210**	811	**1,210**	811
Auditor's remuneration	**18,168**	21,651	**3,538**	12,000
Depreciation of property, plant and equipment (Note 9)	**14,534**	10,372	**-**	-
Directors' remuneration	**93,000**	71,500	**18,000**	9,000
Directors' fees	**14,360**	8,720	**14,360**	8,720
Staff costs	**92,650**	48,419	**-**	-
Cost of sales	**1,089,054**	1,325,880	**-**	-
Other expenses	**51,502**	146,995	**169,474**	35,962
Total cost of sales and administrative expenses	**1,374,478**	1,634,348	**206,582**	66,493

3. Expenses by nature – continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial year/ period ended 31 December 2020 relate to the following:

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Annual statutory audit	**18,168**	21,651	**3,538**	12,000

4. Staff costs

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Wages and salaries	**89,914**	46,200	**-**	-
Social security costs	**2,736**	2,219	**-**	-
	92,650	48,419	**-**	-

Average no. of full time equivalents employed by the Group during the year is 3 (2019: 2).

5. Investment income

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Dividend receivable	**-**	-	**1,031,547**	-
Interest receivable on bank balances	**101**	81	**-**	-
	101	81	**1,031,547**	-

6. Finance costs

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Interest payable on bank loans	**1,071**	28,374	**-**	-
Bank charges	**6,514**	43,329	**-**	-
Other interest payable	**38,450**	34,676	**-**	-
	46,035	106,379	**-**	-

7. Other income

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Rental income	**548,154**	402,188	**-**	-
Purchase discounts taken	**130**	295	**120**	295
Other general income	**81,038**	-	**-**	-
	629,322	402,483	**120**	295

8. Income tax

	Year/ period ended 31 December			
	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Current tax:				
At 5%	**34,701**	-	**13,116**	-
At 8%	**84,945**	124,467	**-**	-
At 15%	**15,750**	12	**-**	-
At 35%	**181,031**	108,111	**269,231**	-
Overprovision of tax in prior year/ period	**16,733**	-	**-**	-
Deferred tax charge/(credit) (Note 22)	**(748)**	348,641	**-**	-
Income tax	**332,412**	581,231	**282,347**	-

8. Income tax – continued

The tax expense and the result of accounting profit/(loss) multiplied by the statutory domestic income tax rate is reconciled as follows:

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Profit/(loss) before tax	**1,049,556**	4,484,115	**825,085**	(66,198)
Tax on accounting profit/ (loss) at 35% thereon	**367,345**	1,569,440	**288,780**	(23,169)
Tax effect of:				
Non-allowable expenses	**479,336**	2,570,807	**72,304**	23,272
Income subject to reduced rates of tax	**(548,854)**	70,338	**(78,695)**	-
Income not subject to tax	**(42)**	(3,925,566)	**(42)**	(103)
Other differences	**16,733**	(30,379)	**-**	-
Maintenance allowance on rental income	**(31,020)**	(22,050)	**-**	-
Unabsorbed trading losses	**49,662**	-	**-**	-
Movement in deferred tax	**(748)**	348,641	**-**	-
Income tax	**332,412**	581,231	**282,347**	-

9. Property, plant and equipment

The Group	Motor vehicles	Furniture and fixtures	Total
	€	€	€
Movements for period ended 31 December 2019			
Opening net book amount upon acquisition	25,949	26,454	52,403
Reversal of addition upon acquisition	-	(492)	(492)
Depreciation charge	(5,190)	(5,182)	(10,372)
Closing net book amount	20,759	20,780	41,539
At 31 December 2019			
Cost	34,599	69,262	103,861
Accumulated depreciation	(13,840)	(48,482)	(62,322)
Net book amount	20,759	20,780	41,539
Movements for year ended 31 December 2020			
Opening net book amount	20,759	20,780	41,539
Additions	-	6,881	6,881
Depreciation charge	(6,919)	(7,615)	(14,534)
Closing net book amount	**13,840**	**20,046**	**33,886**
At 31 December 2020			
Cost	34,599	76,143	110,742
Accumulated depreciation	(20,759)	(56,097)	(76,856)
Net book amount	**13,840**	**20,046**	**33,886**

10. Goodwill

The Group

	€
Movements for the period ended 31 December 2020	
Additions upon acquisition	**3,241,988**
Closing net book amount	**3,241,988**
At 31 December 2019	
Net book amount	**3,241,988**
Movements for the year ended 31 December 2020	
Opening net book amount	**3,241,988**
Additions	**-**
Closing net book amount	**3,241,988**
At 31 December 2020	
Net book amount	**3,241,988**

11. Intangible assets

The Group/ The Company	Website Developments €	Total €
Movements for the period ended 31 December 2019		
Additions	3,245	**3,245**
Amortisation charge	(811)	**(811)**
Closing net book amount	2,434	**2,434**
At 31 December 2019		
Cost	3,245	**3,245**
Accumulated amortisation	(811)	**(811)**
Net book amount	2,434	**2,434**
Movements for the year ended 31 December 2020		
Opening net book amount	2,434	**2,434**
Additions	1,595	**1,595**
Amortisation charge	(1,210)	**(1,210)**
Closing net book amount	2,819	**2,819**
At 31 December 2020		
Cost	4,840	**4,840**
Accumulated amortisation	(2,021)	**(2,021)**
Net book amount	2,819	**2,819**

Amortisation charge of €1,210 (2019: €811) is included in administrative expenses.

12. Investment property

The Group

	2020	2019
	€	€
Movements for the year/ period ended 31 December		
Opening net book amount	**24,938,829**	18,752,163
Additions	**1,887,814**	3,389,850
Disposals	-	(1,141,200)
Fair value (loss)/ gains for the year/ period	**(9,354)**	3,942,271
Movements upon consolidation	-	(4,255)
Closing net book amount	**26,817,289**	24,938,829

At 31 December	2020	2019
	€	€
Cost	**15,530,722**	13,642,908
Net fair value gains	**11,286,567**	11,295,921
Net book amount	**26,817,289**	24,938,829

Investment property is being valued every 3 years on 31 December at fair value comprising open market value approved by the directors on the basis of an independent professional valuation prepared by the Group's architect.

The following amounts have been recognised in the consolidated statement of comprehensive income in respect of investment properties:

	2020	2019
	€	€
Rental income	**548,154**	402,188

If the investment property were stated on the historical cost basis, the amounts would be as follows:

At 31 December	2020	2019
	€	€
Cost	**15,530,722**	13,642,908
Accumulated depreciation	**(297,560)**	(452,863)
Net book amount	**15,233,162**	13,190,045

13. Investments in subsidiaries

The Company	Year/ period ended 31 December	
	2020	2019
	€	€
Movements for the year/ period ended 31 December		
Opening net book amount	**121,550**	-
Additions	**880,000**	121,550
Closing net book amount	**1,001,550**	121,550
At 31 December		
Cost/net book amount	**1,001,550**	121,550

The subsidiaries, all of which are unlisted at 31 December are shown below:

Name	Registered office	Principal activities	Percentage of shares held **2020**	Percentage of shares held 2019
J. Zammit Developments Ltd	Aries House Mdina Road Zebbug ZBG 9016	The Company is engaged in trading of property held-for-resale.	**100%**	100%
Car-Sun Limited	Aries House Mdina Road Zebbug ZBG 9016	The Company is to hold investment property for capital appreciation and rental income.	**100%**	100%
J. Zammit Estates Limited	Aries House Mdina Road Zebbug ZBG 9016	The Company is to hold investment property for capital appreciation and rental income.	**100%**	100%
Zammit Business Centre Limited (Note)	Aries House Mdina Road Zebbug ZBG 9016	The Company is the holding Group of De Rohan Business Centre Limited.	**29.91%**	29.91%

Note: The Company owns 29.91% of Zammit Business Centre Limited, however, it also has 100% voting rights and thus the Company is the ultimate controlling entity of the subsidiary.

14. Inventories

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Property held-for resale	**4,330,738**	4,919,140	-	-

15. Trade and other receivables

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Non-current				
Amounts due from subsidiaries	-	-	**7,230,306**	-

Note
Amounts due from subsidiaries are unsecured, interest free and are not repayable before twelve months from the date of the reporting period.

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Current				
Trade receivables	**128**	708	-	-
Amounts due from subsidiary (Note)	-	-	-	3,580,306
Amounts due from related parties (Note)	**1,274,045**	548,951	-	-
Other receivables	**7,075**	531,847	-	-
Prepayments and accrued income	**925,055**	655,154	**48,226**	48,226
	2,206,303	1,736,660	**48,226**	3,628,532

Note:
Amounts due from subsidiary and related parties are unsecured, interest free and repayable on demand.

16. Share capital

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Authorised				
250,000 Ordinary Shares of €1 each	**250,000**	250,000	250,000	250,000
Issued and paid up as follows:				
249,999 Ordinary Shares of €1 each, 25% paid up	**62,500**	62,500	62,500	62,500
1 Ordinary Shares of €1 each, 100% paid up	**1**	1	1	1
	62,501	62,501	62,501	62,501

17. Retained earnings/(Accumulated losses)

The Group and the Company Retained earnings/(Accumulated losses) represent accumulated profits and losses since incorporation date. Included in the Group's retained earnings are undistributable reserves amounting to €10,303,803 (2019: €10,310,409) relating to the revaluation amount net of deferred tax on investment property.

18. Shareholder's contribution

	2020 €	2019 €
Shareholder's contribution	**6,730,306**	-

The shareholder's contribution represents contributions from the beneficiary owners to finance its operations.

This amount is unsecured, interest free and is repayable at the option of the Company.

19. Interest-bearing Borrowings

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Non-current				
Bank loans	**5,469,115**	5,044,796	-	-
Other loan	-	1,060,000	-	-
	5,469,115	6,104,796	-	-
Current				
Bank loans	**925,265**	1,118,153	-	-
Bank overdraft	**87,191**	-	-	-
	1,012,456	1,118,153	-	-
Total borrowings	**6,481,571**	7,222,949	-	-

The bank loans are secured by special and general hypothecs over the Group's assets.

The other loan from third party was unsecured, bears interest at 4% per annum and was not repayable before twelve months from the date of the reporting year/ period.

Interest rate exposure:

	The Group 2020 %	The Group 2019 %	The Company 2020 %	The Company 2019 %
At fixed rates	**4.75 - 5**	4.75 - 5	-	-

19. Interest-bearing Borrowings – continued

Weighted average effective interest rates at end of reporting year/ period:

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Bank loans	**4.75 - 5**	4.75 - 5	-	-
Other loans	**4**	4	-	-
Bank overdrafts	**7.5**	-	-	-

Maturity of borrowings falling due after more than one year:

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Between 1 and 2 years	**692,946**	2,200,254	-	-
Between 2 and 5 years	**2,280,868**	2,485,837	-	-
Over 5 years	**2,495,301**	1,418,705	-	-
	5,469,115	6,104,796	-	-

20. Trade and other payables

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Non-current				
Trade payables	**520,000**	-	-	-
Amount due to shareholder (Note)	-	3,580,306	-	3,580,306
Amounts due to related parties (Note)	**29,792**	-	-	-
	549,792	3,580,306	-	3,580,306

Note:

Amount due to related parties and shareholder is unsecured, interest free and is not repayable before twelve months from the date of the reporting year/ period.

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Current				
Trade payables	**1,590,251**	707,377	**590**	16,636
Other payables	**167,335**	1,024,967	-	-
Amounts due to related parties (Note)	**6,235,022**	8,715,922	**658,988**	20,000
Amounts due to subsidiary (Note)	-	-	**244,695**	187,086
Accruals	**2,765,247**	1,978,150	**171,781**	14,685
	10,757,855	12,426,416	**1,076,054**	238,407

Note:

Amounts due to related parties are unsecured, interest free and are repayable on demand.

21. Cash generated from/ (used in) operations

Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations:

	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Operating profit/(loss)	**1,104,844**	648,142	**(206,462)**	(66,198)
Adjustment for:				
Amortisation of intangible assets (Note 11)	**1,210**	811	**1,210**	811
Depreciation of property, plant and equipment (Note 9)	**14,534**	10,372	**-**	-
Other income	**-**	(87,118)	**-**	-
Changes in working capital:				
Inventories	**588,402**	5,146,124	**-**	-
Trade and other receivables	**255,451**	(542,878)	**-**	(48,226)
Trade and other payables	**1,332,339**	(3,508,251)	**141,050**	31,321
Cash generated from/ (used in) operations	**3,296,780**	1,667,202	**(64,202)**	(82,292)

22. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 8%/10% depending on when the property was acquired. The movement on the deferred income tax account is as follows:

	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
At beginning of year/ period	**1,017,671**	669,030	-	-
Charged/(credited) to consolidated statement of comprehensive income (Note 8)	**(748)**	348,641	-	-
	1,016,923	1,017,671	-	-

As at 31 December 2020, the Company does not have any unrecognised deferred tax assets (2019: €Nil).

23. Current taxation

Net income tax payable is made up as follows:

	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Current tax receivable	**-**	5,429	-	-
Current tax payable	**(297,449)**	(88,200)		
	(297,449)	(82,771)	-	-

23. Current taxation – continued

Net Income tax payable movements are as follows:

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
At 1 January/ at beginning upon acquisition	**82,771**	23,385	-	-
Current tax charge for the year/ period	**316,427**	232,590	**282,347**	-
Settlement tax paid	-	(28,541)		
Under provision of tax in prior year/ period	**16,733**	14,185	-	-
Final withholding tax paid	**(119,646)**	(158,848)	**(282,347)**	-
Fines and interest	**1,164**	-	-	-
Balance at 31 December	**297,449**	82,771	-	-

24. Cash and cash equivalents

For the purposes of the consolidated statement of cashflows, the cash and cash equivalents at the end of the year/ period comprise the following:

	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
Cash at bank	**602,999**	134,505	**62,500**	62,500

25. Net assets taken over by the parent Company

On 11 April 2019, 23 April 2019 and 24 May 2019, the assets and liabilities of Zammit Business Centre Limited, J.Zammit Estates Limited and Car-Sun Limited, were respectively taken over by the Company. The net assets taken over consisted of:

	€
Investment in subsidiary	3,496,500
Property, plant and equipment	52,403
Investment property	18,752,163
Inventories	4,991,173
Cash and cash equivalents	(53,607)
Current tax	23,385
Trade and other receivables	1,223,844
Trade and other payables	(20,722,374)
Deferred tax	(669,030)
	7,094,457

26. Related party transactions

Year end/ period end balances owed by shareholder, by other related parties, to shareholder and to other related parties, resulting mainly in connection with financing transactions and rental income, are disclosed in notes 15 and 20 to these financial statements.

The following transactions were carried out with related parties:

	The Group 2020 €	The Group 2019 €	**The Company 2020 €**	The Company 2019 €
Sales of services				
Other related parties	**443,154**	315,000	**-**	-
Purchases of services				
Other related parties	**80,000**	-	**164,760**	-
Investment income				
Subsidiaries	**-**	-	**1,031,547**	-
Non-current receivables				
Amount due from subsidiaries				
Assignment of loan during the year/ period	**-**	-	**7,230,306**	-

26. Related party transactions – continued

	The Group 2020	The Group 2019	The Company 2020	The Company 2019
Current receivables	**€**	€	**€**	€
Amount due from subsidiary				
Beginning of the year/ period	-	-	**3,580,306**	-
Loans advanced during the year/ period	-	-	-	3,580,306
Assignment to capital contribution	-	-	**(3,580,306)**	-
	-	-	-	3,580,306
Amount due from related parties				
Beginning of the year/ upon acquisition	**548,951**	222,112	-	-
Payments made on behalf of the Company	**(11,677)**	-	-	-
Payments of expenses on behalf of the other related parties	**11,748**			
Rental income	**502,221**	371,700	-	-
Assignment of debt	**(30,804)**	(371,425)	-	-
Set off between intercompany for security deposit paid	**(394,535)**	(45,275)	-	-
Advances during the year/ period	**648,141**	371,839	-	-
	1,274,045	548,951	-	-

26. Related party transactions – continued

	The Group 2020	The Group 2019	The Company 2020	The Company 2019
Non-current payables	€	€	€	€
Amount due to related parties				
Advances during the year/ period	**29,792**	-		-
Amount due to shareholder				
Beginning of the year/ period	**3,580,306**	-	**3,580,306**	-
Advances during the year/ period	-	3,580,306	-	3,580,306
Repayments made during the year/ period	**(3,580,306)**	-	**(3,580,306)**	-
	-	3,580,306	-	3,580,306
Current payables				
Amount due to related parties				
Beginning of the year/ period	**8,715,922**	4,638,358	**20,000**	-
Advances made to the Company	**3,117,135**	4,077,564	**638,988**	20,000
Payments made during the year/ period	**(5,598,035)**	-	-	-
	6,235,022	8,715,922	**658,988**	20,000
Amount due to subsidiary				
Beginning of the year/ period	-	-	**187,086**	-
Advances made to the Company	-	-	**319,925**	187,086
Payments made during the year/ period	-	-	-	-
Dividends issued	-	-	**(262,316)**	-
	-	-	**244,695**	187,086
Key management compensation				
Directors' remuneration	**93,000**	71,500	**18,000**	9,000
Directors' fees	**14,360**	8,720	**14,360**	8,720

Shareholders' contributions have been disclosed in note 18 whilst Investment in subsidiary have been disclosed in note 13.

27. Financial risk management

The Group and the Company is not exposed to credit, liquidity or market risk arising from its use of financial instruments.

Overview

The Group and the Company has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's and the Company's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Group's and the Company's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Board of Directors. Accordingly, it is the Board of Directors who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. Credit risk arises principally from the Group's and the Company's receivables and bank balances.

The Group's and the Company's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers comprising the Group's and the Company's debtor base. Accordingly, the Group and the Company have no concentration of credit risk that could materially impact on the sustainability of its operations.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

The Group's and the Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Group and the Company ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations. The Group's and the Company's shareholders have also undertaken to continue to provide support to the Group and the Company and will not demand payment of outstanding balances unless alternative funds are available.

27. Financial risk management – continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the fair value or future cash flows of a financial instrument. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The operating cash flows of the Group and the Company are influenced by changes in market interest rates. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting year to be immaterial. Up to the end of the reporting year, the Group and the Company did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

The Group and the Company are not exposed to foreign exchange risk since all operations are conducted locally in the Group's and the Company's functional currency.

Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short years of time in accordance with the negotiated credit terms.

Capital management

It is the policy of the Board of Directors to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Group and the Company to continue as a going concern. In this respect, the Board of Directors monitors the operations and results of the Group and the Company, and also monitors the level of dividends, if any, payable to the ordinary shareholders.

The Group and the Company are not subject to externally imposed capital requirements. There were no changes in the Group's and the Company's approach to capital management during the year.

Fair values

At 31 December 2020 and 31 December 2019 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the consolidated financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short year of time between the origination of the instruments and their expected realisation.

28. Events after the end of the reporting period

On 4th June 2021, the company issued an increase in share capital amounting to 3,520,000 shares of €1 each to Zammit Holdings Limited. These shares were issued at 25% paid up by a capitalisation of loan.

29. Statutory information

AGORA ESTATES P.L.C. is a public limited Company and is registered in Malta.

The ultimate parent Group of AGORA ESTATES P.L.C. is Zammit Holdings Limited, a private limited Company registered in Malta with its registered address at Aries House, Triq tal-Hlas, Zebbug, Malta.

The ultimate controlling party of the Group is Mr James Zammit of 81, Triq Il-Qiegha, Attard, Malta.

30. Comparative information

Certain comparative information has been reclassified to conform with the current year's disclosure for the purpose of fairer presentation.

Busuttil&Micallef*

Certified Public Accountants
Practising Auditors
Tax & Management Consultants

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Independent Auditor's Report

To the Members of Agora Estates P.L.C.

Report on the Audit of the Consolidated and separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Agora Estates P.L.C. ,set out on pages 4 to 42, which comprise the statements of financial position as at 31 December 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 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 European Union (EU IFRSs) and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the consolidated financial statements does not cover this information, including the directors' report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements are prepared is consistent with the consolidated 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 Group 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.

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Independent Auditor's Report – continued

Key Audit Matters

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

(i) Investment property

The Group holds freehold and leasehold properties as investment property. The valuation of such property at its fair value is subject to significant judgement. Such judgement revolves around assumptions underlying the determination of fair value at the reporting date. We have considered the valuation of investment property as a key audit matter in view of the subjectivity surrounding the judgement applied and our audit focus on this area.

We gained understanding of the Group's valuation methodology and assumptions used in estimating the fair value of the investment property as at the reporting date. As part of our procedures, we have obtained an understanding of the scope of work of external valuers by reviewing the available valuation reports, evaluate the reasonability and relevance of key assumptions and estimates applied and considered the independence and expertise of the external valuers. No issues were identified.

(ii) Investments in Subsidiaries

The Company holds shares in J. Zammit Developments Limited, Car-Sun Limited, J. Zammit Estates Limited and Zammit Business Centre Limited. These are significant accounting transactions which involves judgement and we consider this to be a key audit matter for our audit.

In responding to the significant judgement involved, our audit procedures included reviewing the relevant acquisition agreements to obtain an understanding of the transactions and to confirm the consideration. No issues were identified.

(iii) Impairment Assessment of Investments in Subsidiaries

In line with International Accounting Standard 36, "Impairment of Assets", the directors are required to assess whether the investments of the Company are potentially impaired.

The impairment assessment is subject to significant directors' judgment and estimation. In light of the significant directors' judgement, we consider this to be a key audit matter for our audit.

In responding to the significant judgement involved, our audit procedures include assessing the appropriateness of the impairment model, that is by assessing the financial soundness of the subsidiary companies by making reference to their latest audited financial statements. No issues were identified.

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Independent Auditor's Report – continued

Responsibilities of the Directors

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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Independent Auditor's Report – continued

Auditor's Responsibilities for the Audit of the consolidated financial statements – continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

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 consolidated financial statements are not in agreement with the accounting records and returns.

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

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Donatella Bondin
Partner

For and on behalf of
Busuttil & Micallef
Certified Public Accountants

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31 July 2021