BONNICI BROS. PROPERTIES LTD

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Bonnici Bros. Properties Ltd

General Information
for the year ended 31 December 2020

Registration

Bonnici Bros. Properties Ltd is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 74286.

Directors

Mr. Gilbert Bonnici
Mr. David Bonnici
Mr. Alexis Bonnici
Mr. Joseph Bonnici
Ms. Michaela Bonnici
Mr. Samuel Bonnici

Company secretary

Mr. Jozef Wallace Galea

Registered office

'Bonnici House',
Sardine Street, Burmarrad,
St. Paul's Bay

Auditors

Tri-Mer Audit Limited
International House
Mdina Road
Mriehel BKR 3000
Malta

Bonnici Bros. Properties Ltd

Directors' Report

for the year ended 31 December 2020

The Board presents its report and the audited financial statements for the year ended 31 December 2020.

Principal Activities

The Company is principally engaged to invest in immovable property and earn rental and other income therefrom in the short and long term.

Performance Review

The directors note that revenue increased by 300% over the preceding year. Administrative expenses decreased by 21% to €2,942 (2019: €3,736) and the Company recognised a fair value gain on its investment properties of €6,278,672 (2019: nil). Profit before taxation for the year amounted to €6,572,304 (2019: €72,438). After deducting taxation thereon, the profit for the year amounted to €4,999,877 (2019: €61,012).

The Company was not particularly affected by the Coronavirus COVID-19 outbreak which the World Health Organisation declared as pandemic on 11 March 2020, given that its existing rental arrangements covered a number of years, extending beyond the reporting date, and the fact that the financial performance and financial position of the tenants were not impacted by the pandemic.

Principal Risks and Uncertainties

The successful management of risk is essential to enable the Company achieve its objectives. The ultimate responsibility for risk management rests with the Company's directors, who evaluate and formulate policies for identifying and managing such risks.

The Company's principal risks and uncertainties substantially relate to the risks and uncertainties surrounding the local property market. Based on a recent independent valuation carried out on the Company's investment properties, the value of the Company's investment property continues to increase over time. Furthermore, the Company has ensured that all properties which are available for use are all leased out to customers at current market rates and that at all times, no property is left vacant.

Future Developments and Events Subsequent to the Reporting Date

After the reporting date, the Company acquired other properties within its portfolio of immovable properties with the aim of generating additional revenue when such property becomes available for use.

Reserves and Dividends

The profit or loss for the year is set out on page 5. The directors do not recommend the payment of a dividend. The balance of retained earnings amounting to €5,050,295 is being carried forward to the next financial period.

Bonnici Bros. Properties Ltd

Directors' Report (continued)

for the year ended 31 December 2020

Directors

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

Mr. Gilbert Bonnici

Mr. David Bonnici

Mr. Alexis Bonnici

Mr. Joseph Bonnici

Ms. Michaela Bonnici

Mr. Samuel Bonnici

Auditors

Tri-Mer Audit Limited, Registered Auditors, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 5 October 2021 and signed on its behalf by:

Mr. Gilbert Bonnici
Director

Mr. David Bonnici
Director

Registered Address:
'Bonnici House',
Sardine Street, Burmarrad,
St. Paul's Bay

Bonnici Bros. Properties Ltd

Directors' Responsibilities

for the year ended 31 December 2020

The directors are required by the Companies Act, Cap. 386 of the Laws of Malta to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors 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.

Bonnici Bros. Properties Ltd

Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 €	2019 (As restated) €
Revenue		**304,343**	76,174
Direct operating expenses	5	**(8,084)**	-
Net rental income		**296,259**	76,174
Administrative expenses	5	**(2,942)**	(3,736)
Other income	6	**6,278,987**	-
Profit before tax		**6,572,304**	72,438
Income tax expense	7	**(1,572,427)**	(11,426)
Profit for the year - total comprehensive income		**4,999,877**	61,012

The notes on pages 9 to 22 form an integral part of these financial statements.

Bonnici Bros. Properties Ltd

Statement of Financial Position

as at 31 December 2020

	Note	2020 €	2019 (As restated) €	1 January 2019 (As restated) €
ASSETS				
Investment property	8	**21,627,386**	8,000,000	8,000,000
Non-current assets		**21,627,386**	8,000,000	8,000,000
Receivables	9	**484,682**	-	-
Cash at bank		**43,568**	85,345	26,633
Current assets		**528,250**	85,345	26,633
TOTAL ASSETS		**22,155,636**	8,085,345	8,026,633
EQUITY AND LIABILITIES				
Equity				
Issued capital	13	**1,200**	1,200	1,200
Capital contribution reserve	14	**10,835,535**	-	-
Retained earnings		**5,050,295**	50,418	(10,594)
Total equity		**15,887,030**	51,618	(9,394)
Liabilities				
Borrowings	10	**848,598**	7,346,681	7,346,681
Other payables	11	**5,000**	5,000	5,000
Deferred tax liabilities	12	**2,162,739**	664,581	664,581
Non-current liabilities		**3,016,337**	8,016,262	8,016,262
Other payables	11	**3,178,000**	6,039	19,765
Current tax liabilities	7	**74,269**	11,426	-
Current liabilities		**3,252,269**	17,465	19,765
TOTAL EQUITY AND LIABILITIES		**22,155,636**	8,085,345	8,026,633

The notes on pages 9 to 22 form an integral part of these financial statements.

These financial statements on pages 5 to 22 were approved by the Board of Directors on 5 October 2021 and were signed on its behalf by:

Mr. Gilbert Bonnici
Director

Mr. David Bonnici
Director

Bonnici Bros. Properties Ltd

Statement of Changes in Equity

for the year ended 31 December 2020

	Issued capital	Capital contribution reserve	Retained earnings	Total
	€	€	€	€
As at 1 January 2020	1,200	-	50,418	51,618
Comprehensive income				
Profit for the year	-	-	4,999,877	4,999,877
Transactions with owners, recorded in equity				
Contributions by shareholders (note 14)	-	4,998,800	-	4,998,800
Equity portion of financial liability (note 14)	-	5,836,735	-	5,836,735
As at 31 December 2020	**1,200**	**10,835,535**	**5,050,295**	**15,887,030**

	Issued capital	Capital contribution reserve	Retained earnings	Total
	€	€	€	€
As at 1 January 2019, as previously reported under GAPSME and as restated under IFRS (note 16)	1,200	-	(10,594)	(9,394)
Comprehensive income				
Profit for the year	-	-	61,012	61,012
Total comprehensive income, as restated under IFRS	-	-	61,012	61,012
As at 31 December 2019, as restated under IFRS	1,200	-	50,418	51,618

The notes on pages 9 to 22 form an integral part of these financial statements.

Bonnici Bros. Properties Ltd

Statement of Cash Flows

for the year ended 31 December 2020

	2020 €	2019 (As restated) €
Cash flows from operating activities:		
Profit before tax	**6,572,304**	72,438
Adjustments for:		
Fair value gain on investment properties	**(6,278,672)**	-
Working capital changes:		
Increase in receivables	**(484,682)**	-
Increase/(decrease) in payables	**160,882**	(13,909)
Cash (absorbed by)/generated from operating activities	**(30,168)**	58,529
Taxation paid	**(11,426)**	-
Net cash (used in)/from operating activities	**(41,594)**	58,529
Cash flows from financing activities:		
Advances by related company	**-**	183
Repayment of advances by related company	**(183)**	-
Net cash (used in)/from financing activities	**(183)**	183
Net movement in cash and cash equivalents	**(41,777)**	58,712
Cash at bank at beginning of year	**85,345**	26,633
Cash at bank at end of year	**43,568**	85,345

Significant non-cash transactions

During the year, the Company purchased investment property from a related company at a cost of €7,348,714. Except for €3,000,000 which remains payable on demand to the related company, the balance of the liability in relation to this acquisition as well as the liability in relation to a similar acquisition carried out during the year ended 31 December 2018, which in total amounts to €11,684,133 as at the reporting date, was assigned to the corporate shareholders as at that date.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements

for the year ended 31 December 2020

1 Basis of preparation

Basis of measurement and statement of compliance

The financial statements of Bonnici Bros. Properties Ltd ("the Company") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the provisions of the Companies Act, 1995, enacted in Malta. The financial statements have been prepared on the historical cost basis, except for investment properties which are stated at fair value. These financial statements present information about the Company as an individual undertaking.

These are the Company's first financial statements prepared under IFRS as adopted for the EU. The Company's previous financial statements, for the year ended 31 December 2019, were prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming part of those Regulations (the "GAPSME"). The date of transition to IFRS as adopted for the EU is the beginning of the earliest period for which the Company presents full comparative information in accordance with GAPSME in these financial statements, hence 1 January 2019.

An explanation of how the transition to IFRS as adopted for the EU has affected the Company's reported financial position and financial performance is provided in note 16.

Functional and presentation currency

The financial statements are presented in euro (€), which is the Company's functional currency.

Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards 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 recognised in the period in which the estimates are revised and in any future periods affected.

2 Significant accounting policies

Investment property

Investment property is property (land and building) held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services or for administrative purposes. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be measured reliably. Investment property is initially measured at cost, comprising its purchase price, capitalised borrowing costs until the investment property is available for use and any directly attributable costs. After initial recognition, investment property is measured under the fair value model with any changes therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

2 Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Trade and other receivables

Trade 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, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at fair value and subsequently classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model refers to how the Company manages its financial assets in order to generate cash flows. That is, the Company's business model determines whether the cash flows result from collecting contractual cash flows, selling financial assets or both. The Company determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Company's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for other basic lending risks and costs, as well as a profit margin. The Company also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment on financial assets measured at amortised cost

The Company recognises loss allowances for expected credit loss ('ECL') on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balance which are measured at 12-month ECLs, for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument), has not increased significantly since initial recognition. Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

2 Significant accounting policies (continued)

Impairment on financial assets measured at amortised cost (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

Capital contributions

Advances made by the shareholders which are earmarked to support the issuance of additional shares by the Company in the future are recognised directly in equity.

Borrowings

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

Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less. 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.

Taxation

The tax expense for the period comprise current and deferred tax. Tax is recognised in the statement of comprehensive income, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is also dealt with in other comprehensive income or in equity, as appropriate.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

2 Significant accounting policies (continued)

Taxation (continued)

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the end of the reporting period.

Deferred income tax

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Revenue recognition

Revenue 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 and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably.

Rental income

Rental income arising from operating lease on investment property is accounted for on a straight line basis over the lease term.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

2 Significant accounting policies (continued)

Financial risk management

The Company's principal financial assets comprise cash and cash equivalents and other receivables. Its principal financial liabilities comprise trade and other payables and borrowings.

The Company is exposed to market risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. The Company is not exposed to market risk since its financial instruments are denominated in the Company's functional currency, are non-interest bearing and are not related to any market price risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk to the extent that it is not in a position to receive the rental income on the Company's investment property from its tenants.

The Company exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk. Based on contractual terms, the rental income on investment property is received three months in advance (note 11).

The amounts receivable from related company as at the reporting date amounting to €355,586 (note 9) represent advance payments for additional investment properties. The remaining €90,087 represent invoices issued to related parties for rent of the Company's investment properties. The balance of cash at bank as at the reporting date is covered by the bank's depositor compensation scheme.

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

As at the reporting date, all financial liabilities are payable on demand, except for contractually non-interest bearing borrowings advanced by the corporate shareholders which are payable over 60-year period.

Fair value risk

As at the reporting date, the carrying amounts of cash and cash equivalents, receivables and trade and other payables approximated their fair values in view of their short term nature. The fair values of long-term borrowings are not materially different from their carrying amounts in the statement of financial position given that the transaction took place on 31 December 2020.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

2 Significant accounting policies (continued)

Financial risk management (continued)

Capital management

Capital includes the equity attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements. At the end of the reporting period there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 January 2020

These new amended standards and interpretations are issued up to the date of issuance of the Company's financial statements but have no effect on the Company's financial statements are disclosed below:

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies and Changes in Accounting Estimates and Errors (Amendment - Definition of Material)

An amendment to IAS 1 Presentation of Financial Statements and IAS 8 came into effect. The amendment clarifies the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to access whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

4 Adoption of new and revised standards (continued)

IFRS 3 Business Combinations (Amendment – Definition of Business)

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on of after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and

- References to Conceptual Framework (Amendments to IFRS 3)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)
for the year ended 31 December 2020

5 Expenses by nature

	2020	2019 (As restated)
	€	€
Auditors' remuneration	**1,750**	1,750
Water and electricity	**8,084**	-
Other expenses	**1,192**	1,986
	11,026	3,736

	2020	2019 (As restated)
	€	€
Disclosed as follows:		
Direct operating expenses	**8,084**	-
Administrative expenses	**2,942**	3,736
	11,026	3,736

6 Other income

	2020	2019
	€	€
Fair value gain on investment properties (note 8)	**6,278,672**	-
Other	**315**	-
	6,278,987	-

7 Taxation

Tax expense on profit on ordinary activities

	2020	2019
	€	€
Income tax expense		
Current tax expense	**74,269**	11,426
Deferred tax expense	**1,498,158**	-
	1,572,427	11,426

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

7 Taxation (continued)

Tax reconciliation

	2020	2019 (As restated)
	€	€
Profit before tax	**6,572,304**	72,438
Tax at 35%	**2,300,306**	25,353
Tax effect of:		
Expenses disallowed for tax purposes	**1,030**	1,308
Income taxed at different rates	**(712,907)**	(15,235)
Additional deductions	**(16,002)**	-
	1,572,427	11,426

Current taxation

Provision for income tax has been made at the rate of 35% on the chargeable income for the year and 15% final tax on rental income earned from third parties.

	2020	2019
	€	€
As at 1 January	**11,426**	-
Current tax expense	**74,269**	11,426
	85,695	11,426
Payments:		
Settlement tax	**(11,426)**	-
As at 31 December	**74,269**	11,426

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

8 Investment property

	2020	2019 (As restated)
	€	€
Fair value		
As at 1 January	**8,000,000**	8,000,000
Additions	**7,348,714**	-
Fair value gain recognised in profit or loss	**6,278,672**	-
As at 31 December	**21,627,386**	8,000,000

Investment property has been revalued following a valuation carried out close to the year-end by an independent appraisal based on an open market existing use methodology.

Amounts recognised in profit or loss for investment properties

	2020	2019
	€	€
Rental income from operating leases	**296,259**	76,174
Direct operating expenses on property that generated rental income	**(8,084)**	-
Fair value gain on investment properties	**6,278,672**	-

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals receivable quarterly in advance.

Minimum lease payments receivable on leases of investment properties are as follows:

	2020	2019
	€	€
Within 1 year	**459,552**	296,259
Between 1 and 2 years	**459,552**	459,552
Between 2 and 3 years	**459,552**	459,552
Between 3 and 4 years	**464,064**	459,552
Between 4 and 5 years	**475,495**	464,064
Later than 5 years	**4,194,292**	4,669,787
	6,512,507	6,808,766

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

9 Receivables

	2020	2019
	€	€
Amounts owed by related companies	**445,675**	-
Other receivables	**4,550**	-
Prepayments and accrued income	**34,457**	-
	484,682	-

The amounts owed by related companies are unsecured, interest free and payable on demand. The related companies and the Company are related by virtue of common individual shareholders.

10 Borrowings

	2020	2019
	€	€
Non-current borrowings		
Loans advanced by related companies	**848,598**	7,346,681

The loans advanced by related company as at 31 December 2019 were interest free, unsecured and had no fixed repayment date. The related company and the Company are related by virtue of common individual shareholders.

In terms of an assignment of debt agreement entered into by the Company with the related company and its corporate shareholders on 31 December 2020, the Company assigned €11,684,133 of the debt owed to related company to its corporate shareholders. On the same date, the terms of €6,685,333 of this balance were amended to be unsecured, interest free and payable over a 60-year period, whilst €4,998,800 of this balance was earmarked to be converted into share capital in the future.

The difference between the contractual amount and the fair value of this loan upon initial recognition amounting to €5,836,735, as well as the amount earmarked to be converted into share capital of €4,998,800, were recognised as capital contribution reserve within equity (note 14).

11 Other payables

	2020	2019
	€	€
Non-current liabilities		
Deposits	**5,000**	5,000

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

11 Other payables (continued)

	2020	2019
	€	€
Current liabilities		
Rent received in advance	**114,888**	-
Other payables	**2,537**	-
Amounts owed to related company	**3,000,000**	183
Indirect taxation	**58,425**	3,706
Accruals	**2,150**	2,150
	3,178,000	6,039

The amounts owed to related company were unsecured, interest free and payable on demand. The related company and the Company are related by virtue of common individual shareholders.

12 Deferred taxation

	2020	2019
	€	€
As at 1 January	**664,581**	664,581
Movement during the year, recognised in profit or loss	**1,498,158**	-
As at 31 December	**2,162,739**	664,581

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 10% (2019: 10%) on the fair value of immovable property.

The deferred tax liabilities represent the tax effect of temporary difference related to the fair value on investment property amounting to €2,162,739 (2019: €664,581).

13 Share capital

	2020	2019
	€	€
Authorised		
300 Ordinary 'A' shares of €1 each	**300**	300
300 Ordinary 'B' shares of €1 each	**300**	300
300 Ordinary 'C' shares of €1 each	**300**	300
300 Ordinary 'D' shares of €1 each	**300**	300
	1,200	1,200

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

13 Share capital (continued)

	2020	2019
	€	€
Issued and fully paid up		
300 Ordinary 'A' shares of €1 each	**300**	300
300 Ordinary 'B' shares of €1 each	**300**	300
300 Ordinary 'C' shares of €1 each	**300**	300
300 Ordinary 'D' shares of €1 each	**300**	300
	1,200	1,200

The ordinary 'A', 'B', 'C' and 'D' shares carry identical equal voting rights at general meetings of the Company, are equally entitled to any distribution of dividends, and all classes of shares rank simultaneously for any residual assets of the Company after the settlement of all liabilities in the event of the Company's winding up.

14 Capital contribution reserve

As explained in note 10, €4,998,800 of the loans assigned to the corporate shareholders which as at 31 December 2020 amounted to €11,684,133 have been earmarked to be converted into share capital. The remaining €5,836,735 represent the equity portion of an interest free loan advanced by the corporate shareholders, worked out at a market rate of interest at the date of issuance of 3.5% per annum.

15 Related party disclosures

Related party relationships

During the year and as at the end of the reporting date, the Company had related party transactions and balances with its related companies. The Company charged rental income amounting to €228,609 (2019: nil) and was charged €8,084 (2019: nil) for utility costs, which were recharged at cost to tenants.

16 First-time adoption of IFRS as adopted by EU

As explained in note 1, the Company first-time adopted IFRS as adopted by the EU in these financial statements. The date of transition to IFRS is 1 January 2019.

In line with IFRS 1, the entity's first IFRS financial statements include three statements of financial position.

Bonnici Bros. Properties Ltd

Notes to the Financial Statements (continued)

for the year ended 31 December 2020

16 First-time adoption of IFRS as adopted by EU (continued)

An explanation of how the transition to IFRS has affected the Company's reported financial position and financial performance is provided below:

As at 1 January 2019

	Issued capital	Fair value reserve	Retained earnings	Net assets
	€	€	€	€
As at 1 January 2019, as previously reported under GAPSME	1,200	-	(10,594)	(9,394)
Effect of transactions on equity and net assets				
Transfer of net fair value gains on investment property, previously recognised in fair value reserve	-	(664,581)	664,581	-
Transfer of deferred tax on net fair value gains on investment property, previously recognised in fair value reserve	-	664,581	(664,581)	-
As at 1 January 2019, as restated under IFRS as adopted by the EU	**1,200**	**-**	**(10,594)**	**(9,394)**

As at 31 December 2019

	Issued capital	Fair value reserve	Retained earnings	Net assets
	€	€	€	€
As at 31 December 2019, as previously reported under GAPSME	1,200	-	9,347	10,547
Effect of transactions on equity and net assets				
Transfer of net fair value gains on investment property, previously recognised in fair value reserve	-	(664,581)	664,581	-
Transfer of deferred tax on net fair value gains on investment property, previously recognised in fair value reserve	-	664,581	(664,581)	-
Reversal of depreciation on investment property, previously recognised in comprehensive income under GAPSME	-	-	41,071	41,071
As at 31 December 2019, as restated under IFRS as adopted by the EU	**1,200**	**-**	**50,418**	**51,618**

17 Subsequent events

After the reporting date, the Company acquired other properties within its portfolio of immovable properties with the aim of generating additional revenue when such property becomes available for use.

TRI·MER AUDIT LTD.

Independent Member of BKR INTERNATIONAL

A: International House, Mdina Road, Mriehel BKR 3000, Malta
T: +356 2347 9900 F: +356 2347 9950
E: info@trimerservices.com
Company registration no.: C 77467

Independent Auditors' Report

To the Shareholders of Bonnici Bros. Properties Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bonnici Bros. Properties Ltd set out on pages 5 to 22 which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the general information, directors' report and the directors' responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 Art. 177 of the 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 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 and other information. We have nothing to report in this regard.

TRI·MER
AUDIT LTD.
Independent Member of BKR International

A: International House, Mdina Road, Mriehel BKR 3000, Malta
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Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

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 IFRS as adopted for the EU, 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.

Auditors' 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 skepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

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.

Ian Mercieca (Director) for and on behalf of

Tri-Mer Audit Limited
an independent member of BKR International
Registered Auditors

Mriehel, Malta

5 October 2021

Bonnici Bros. Properties Ltd

Schedules to the Financial Statements

for the year ended 31 December 2020

	2020	2019
	€	€
Revenue		
Rental income	**296,259**	76,174
Recharges of water and electricity	**8,084**	-
	304,343	76,174

	2020	2019
Direct operating expenses		
Water and electricity	**8,084**	-

	2020	2019 (As restated)
	€	€
Administrative expenses		
Auditors' remuneration	**1,750**	1,750
Bank charges	**57**	28
Registration fee	**85**	85
Professional fees	**1,050**	1,873
	2,942	3,736