Bonnici Bros

Properties p.l.c.

Annual Report

For the year ended 31 December 2022

Bonnici Bros. Properties p.l.c.

Annual Report

Contents

Bonnici Bros. Properties p.l.c.

General Information

For the year ended 31 December 2022

Registration

Bonnici Bros. Properties p.l.c. is registered in Malta as a public limited liability company under the Companies Act, 1995 (Chapter 386, Laws of Malta) with registration number C 74286.

Directors

Gilbert Bonnici
David Bonnici
Alexis Bonnici
Josef Wallace Galea (appointed on 1 September 2022)
Richard Abdilla Castillo (appointed on 1 September 2022)
Alfred Attard (appointed on 1 September 2022)
Joseph Bonnici (resigned on 1 September 2022)
Michaela Bonnici (resigned on 1 September 2022)
Samuel Bonnici (resigned on 1 September 2022)

Company Secretary

Laragh Cassar LL.D (appointed on 1 September 2022)
Josef Wallace Galea (resigned on 1 September 2022)

Registered office

'Bonnici House'
Triq is-Sardin, Burmarrad
San Pawl il-Bahar SPB 6073
Malta

Auditors

Grant Thornton
Fort Business Centre, Level 2
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara, BKR 3000
Malta

Directors' Report

For the year ended 31 December 2022

The directors present their report, together with the audited financial statements of Bonnici Bros. Properties p.l.c. (the 'Company') for the year ended 31 December 2022 (the 'reporting period').

By a shareholders' extraordinary resolution dated 23 November 2022, the shareholders approved the conversion of the Company from a private limited liability company to a public limited liability company, subject to certain conditions. The effective date of the conversion was registered with the Malta Business Registry on 5 January 2023.

Board of directors

The directors who held office during the reporting period up to the date of this report were:

Gilbert Bonnici
David Bonnici
Alexis Bonnici
Josef Wallace Galea (appointed on 1 September 2022)
Richard Abdilla Castillo (appointed on 1 September 2022)
Alfred Attard (appointed on 1 September 2022)
Joseph Bonnici (resigned on 1 September 2022)
Michaela Bonnici (resigned on 1 September 2022)
Samuel Bonnici (resigned on 1 September 2022)

Principal activities

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

Review of business development and financial position

During the year, the Company achieved a profit before taxation amounting to €556,615 (2021: €669,409). After deducting taxation thereon, the profit for the year amounted to €225,585 (2021: €164,067).

The increase in gross contribution from the previous year is mainly attributable to the following that came into effect from 1 January 2022:

- increase in rental rates on an existing property rent agreement; and
- the generation of a new revenue stream which consists of a property security fee charged for the provision of special hypothecary guarantee on own properties against bank facilities granted to related parties.

Review of business development and financial position (continued)

The increase in gross contribution as described above, is partly compensated by increases in:

- payroll expenditure, given that the Company became an employer during the second quarter of 2021;
- increase in finance costs, which primarily relate to interest on borrowings advanced to the Company during the third quarter of 2021 and a new loan facility as from the second quarter of 2022.

The Company's financial position as at the reporting date remains satisfactory healthy with total equity position at €17,059,822 (2021: €16,051,097).

Principal risks and uncertainties

The successful management of risk is essential for the Company to 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 principally faces the same risks and uncertainties that effect the local property market, given that the Company invests solely in this market. Over time, the Company recognised a cumulative net fair value gain of €7,371,541 (2021: €7,371,541). Further increases in the value of existing properties are envisaged based on the projects undertaken by the Company.

Future developments and events subsequent to the reporting date

After the reporting date, the Company continued to acquire additional properties within its portfolio of immovable property with the aim of generating additional revenue streams when such properties become available for use.

On 30 January 2023, the Malta Financial Services Authority approved a €16,000,000 5.25% unsecured bond issuance programme of the Company with a period to maturity of 10 years. On 10 February 2023, the Company issued Tranche 1 of this programme which consisted of €12,000,000 5.25% unsecured bonds maturing in 2033 to finance its property expansion programme. These bonds were taken up by the public by 10 March 2023. On 3 April 2023, the Company was listed on the Malta Stock Exchange.

By the date of approval of these financial statements, the Company settled in full its bank loans and a portion of its current trade and other payables.

On 26 April 2023, the Company acquired a property in Floriana with a Class 2C licence to be used as an educational building.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

Reserves and dividends

No dividends are recommended. The directors propose that the balance of retained earnings amounting to €5,439,947 (2021: €5,214,362) to be carried forward to the next financial year.

Approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Gilbert Bonnici
Director

Josef Wallace Galea
Director

Directors' Responsibilities

For the year ended 31 December 2022

The directors are required by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") to prepare financial statements for each financial year which give a true and fair view of the state of 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 changes related to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figure 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 Act. 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 p.l.c.

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022	2021
		€	€
Revenue	5	**959,919**	465,674
Direct operating expenses		**(30,354)**	(5,984)
		-----------	-----------
Gross contribution		**929,565**	459,690
Fair value movement of investment property	11	**-**	428,288
Administrative expenses		**(207,369)**	(134,850)
Other expenses	11	**(10,408)**	-
		-----------	-----------
Operating profit		**711,788**	753,128
Finance costs	6	**(155,173)**	(83,719)
		-----------	-----------
Profit before taxation	7	**556,615**	669,409
Income tax expense	9	**(331,030)**	(505,342)
		-----------	-----------
Profit for the year - total comprehensive income		**225,585**	164,067
		=======	=======

The accompanying notes form an integral part of these financial statements.

Bonnici Bros. Properties p.l.c.

Statement of Financial Position

As at 31 December 2022

	Note	**2022**	2021
		€	€
ASSETS			
Property and equipment	10	**2,194,199**	2,194,557
Investment property	11	**29,403,135**	25,962,408
Total non-current assets		**31,597,334**	28,156,965
Trade and other receivables	12	**212,815**	184,095
Contract assets	13	**42,938**	-
Cash at bank		**18,436**	10,242
Total current assets		**274,189**	194,337
TOTAL ASSETS		**31,871,523**	28,351,302

The accompanying notes form an integral part of these financial statements.

Bonnici Bros. Properties p.l.c.

Statement of Financial Position (continued)

As at 31 December 2022

	Note	2022 €	2021 €
EQUITY AND LIABILITIES			
Share capital		**5,000,000**	1,200
Capital contribution reserve		**6,619,875**	10,835,535
Retained earnings		**5,439,947**	5,214,362
Total equity	14	**17,059,822**	16,051,097
Borrowings	15	**2,558,145**	1,201,030
Trade and other payables	16	**36,250**	5,000
Deferred tax liabilities	9	**2,662,720**	2,548,200
Total non-current liabilities		**5,257,115**	3,754,230
Borrowings	15	**1,418,730**	145,902
Trade and other payables	16	**7,980,634**	8,165,304
Contract liabilities	17	**2,833**	114,888
Current tax liabilities		**152,389**	119,881
Total current liabilities		**9,554,586**	8,545,975
Total liabilities		**14,811,701**	12,300,205
TOTAL EQUITY AND LIABILITIES		**31,871,523**	28,351,302

The accompanying notes form an integral part of these financial statements.

These financial statements on pages 6 to 32 were approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Gilbert Bonnici
Director

Josef Wallace Galea
Director

Bonnici Bros. Properties p.l.c.

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital	Capital contribution reserve	Retained earnings	Total
		€	€	€	€
As at 1 January 2022		1,200	10,835,535	5,214,362	16,051,097
Issue of share capital	14.1	4,998,800	(4,998,800)	-	-
Equity portion of financial liability	14.2	-	783,140	-	783,140
Transactions with owners		4,998,800	(4,215,660)	-	783,140
Profit for the year		-	-	225,585	225,585
Total comprehensive income for the year		-	-	225,585	225,585
As at 31 December 2022		**5,000,000**	**6,619,875**	**5,439,947**	**17,059,822**
As at 1 January 2021		1,200	10,835,535	5,050,295	15,887,030
Profit for the year		-	-	164,067	164,067
Total comprehensive income for the year		-	-	164,067	164,067
As at 31 December 2021		1,200	10,835,535	5,214,362	16,051,097

The accompanying notes form an integral part of these financial statements.

Bonnici Bros. Properties p.l.c.

Statement of Cash Flows

For the year ended 31 December 2022

	2022	2021
	€	€
Cash flows from operating activities		
Profit for the year	**225,585**	164,067
Adjustments for:		
Income tax expense	**331,030**	505,342
Finance costs	**155,173**	83,719
Depreciation	**358**	269
Other expenses	**10,408**	-
Fair value movement of investment property	**-**	(428,288)
	722,554	325,109
Net changes in working capital:		
Decrease/(Increase) in trade and other receivables	**34,193**	(20,578)
(Increase)/Decrease in contract assets	**(42,938)**	32,657
Increase in trade and other payables	**187,769**	65,887
Decrease in contract liabilities	**(112,055)**	-
Cash generated from operating activities	**789,523**	403,075
Tax paid	**(184,002)**	(74,269)
Net cash from operating activities	**605,521**	328,806
Cash flows from investing activities		
Purchase of property and equipment	**-**	(637,327)
Purchase of investment property	**(2,885,756)**	(174,835)
Cash used in investing activities	**(2,885,756)**	(812,162)
Cash flows from financing activities		
Proceeds from bank borrowings	**2,652,084**	600,000
Repayment of bank borrowings (inclusive of interest)	**(291,145)**	(149,970)
Payment of bond related expenses	**(72,510)**	-
Net cash from financing activities	**2,288,429**	450,030
Net change in cash and cash equivalents	**8,194**	(33,326)
Cash at bank at beginning of year	**10,242**	43,568
Cash at bank at end of year	**18,436**	10,242

The accompanying notes form an integral part of these financial statements.

1 Reporting entity

Bonnici Bros. Properties p.l.c. (the "Company") is a public limited liability company domiciled and incorporated in Malta under the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act"), whose registered address is situated at 'Bonnici House', Sardine Street, Burmarrad, St. Paul's Bay, SPB 6073, Malta.

By a shareholders' extraordinary resolution dated 23 November 2022, the shareholders approved the conversion of the Company from a private limited liability company to a public limited liability company, subject to certain conditions. The effective date of the conversion was registered with the Malta Business Registry on 5 January 2023.

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

2 Basis of preparation

2.1 Basis of measurement and statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the provisions of the Act. The Company's financial statements have been prepared on an accruals basis and under the historical cost convention except for the revaluation of investment properties. Monetary amounts are expressed in Euros.

2.2 Going concern

The financial statements have been prepared under the assumption that the Company operates on a going concern basis, which assumes that the Company will be able to discharge its liabilities, when and as these fall due.

As at the reporting date, the Company had a positive net equity position of €17,059,822 and a net working capital liability position of €9,280,397. In conforming the validity of the going concern basis of preparation, management concluded that a major component of the proceeds of the issue of the Company's €12,000,000 5.25% unsecured bonds during January 2023 (Note 23), will be utilised to settle most of the Company's current liabilities. In turn, the Company's financial position will be consistent with a business model that generates returns on investments over a long period of time.

2.3 Functional and presentation currency

The financial statements are presented in euro, which is also the functional currency of the Company.

3 New or revised Standards or Interpretations

3.1 New Standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

Other Standards and amendments that are effective for the first time in 2022 (for an entity with a 31 December 2022 year-end) and could be applicable to the Company are:

- Reference to the Conceptual Framework [Amendment to IFRS 3]
- COVID-19 – Related Rent Concessions beyond 30 June 2021 [Amendment to IFRS 16]
- Property, Plant and Equipment: Proceeds Before Intended Use [Amendment to IAS 16]
- Onerous Contracts – Cost of Fulfilling a Contract [Amendment to IAS 37]
- Annual Improvements [2018-2020 Cycle]:
  - Subsidiary as a First-time Adopter [Amendments to IFRS 1]
  - Fees in the '10 per cent' Test for Derecognition of Liabilities [Amendments to IFRS 9]
  - Lease Incentives [Amendments to IFRS 16]
  - Taxation in Fair Value Measurements [Amendments to IAS 41]

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective

At the date of 12tilization12n of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Company and no Interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4 Significant accounting policies

4.1 Revenue

Revenue from contracts with customers is recognised at an amount that reflects the consideration at which the Company is expected to be entitled when performance obligation is satisfied in a manner that depicts the transfer of control over the goods or services promised to the customer. A performance obligation may be satisfied either at a point in time or over time.

4 Significant accounting policies (continued)

4.1 Revenue (continued)

The consideration relates to the transaction price allocated to each performance obligation as defined in the contract with the customer. The transaction price reflects discounts, rebates, refunds granted to customers and excludes sales taxes, if any.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (Note 17). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset (Note 13) or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.1.1 Rental income

Rental income is accounted for on a straight-line basis over the lease term.

4.1.2 Security fee income

Revenue arises from the fee charged to related parties for the granting of the Company's investment property as security against facilities issued by bankers to the related parties. The fee is established for each calendar year based on contractual terms and charged over time.

4.2 Operating expenses

Operating expenses are recognised in profit or loss upon 13tilization of the service or as incurred.

4.3 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred and reported in financial costs.

4.4 Property and equipment

Items of property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. After initial recognition, items of property and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis for each class of assets to write down their cost less estimated residual values, over their estimated useful lives as follows:

- Quarries — over the landfilling activity period
- Equipment — 10 years

4 Significant accounting policies (continued)

4.4 Property and equipment (continued)

The landfilling activity period is determined by the time-period necessary to fill in the total volume available after the completion of the quarries' excavation period. Once the quarries are landfilled, they fetch a residual market value based on the overall land area.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions are recognised in profit or loss when the change arise.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss either within other income or other expenses.

4.5 Impairment of property and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit levels.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate 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, which is the higher of fair value less costs of disposal and value in use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

Property and equipment are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount. Reversal of impairment loss for an asset is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

4.6 Investment property

Investment properties are properties 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 initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

4 Significant accounting policies (continued)

4.6 Investment property (continued)

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.

4.7 Financial instruments

4.7.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.7.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financial component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:
- amortised cost,
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:
- the entity's business model for managing the financial assets, and
- the contractual cash flow characteristics of the financial asset.

All revenues and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

4.7.3 Subsequent measurement of financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

4 Significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.3 Subsequent measurement of financial assets at amortised cost (continued)

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.7.4 Impairment of financial assets at amortised cost

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

4 Significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.4 Impairment of financial assets at amortised cost (continued)

Trade and other receivables and contract assets (continued)

In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 20.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

4.7.5 Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.8 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period on the basis of its most likely amount and adjusted if needed. Assessing the most likely amount of current and deferred tax in case of uncertainties (e.g. as a result of the need to interpreting the requirements of the applicable tax law), requires the Company to apply judgements in considering whether it is probable that the taxation authority will accept the tax treatment retained.

4 Significant accounting policies (continued)

4.8 Income taxes (continued)

Deferred tax assets are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 specifies limited exemptions. As a result of these exemptions the Company does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiary (only to the extent that the Company controls the timing of the reversal of the taxable temporary difference and that reversal is not likely to occur in the foreseeable future). The Company does not offset deferred tax asset and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in values.

4.10 Share capital, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Other components of equity include capital contribution reserve, which represent the equity portion of long-dated contractually interest-free loans advanced by the corporate shareholders.

Retained earnings includes all current and prior period retained profits. All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.11 Employee benefits

The Company contributes towards the State pension defined contribution plan in accordance with local legislation, and to which it has no commitment beyond the payment of fixed contributions. Obligations for contributions are recognised in profit or loss in the periods during which the services are rendered by employees.

4 Significant accounting policies (continued)

4.12 Provisions and contingent liabilities

Provisions for onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, when the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.13 Significant management judgement and estimation uncertainty

When preparing the Company's financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

The directors have considered the development, selection and disclosures of the Company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, except for the matter disclosed below, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1.

4.13.1 Fair value measurement

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (Note 21).

5 Revenue

	2022	2021
	€	€
Property lease income	**476,275**	459,552
Property security income	**472,040**	-
Recharge of consumption related costs	**11,604**	6,122
	-----------	-----------
	959,919	465,674
	=======	=======

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2022	2021
		€	€
Trade and other receivables	12	**163,923**	112,284
Contract assets	13	**42,938**	-
Contract liabilities	17	**2,833**	114,888

6 Finance costs

	2022	2021
	€	€
Interest on bank borrowings	**70,211**	18,603
Interest on loans due to corporate shareholders	**31,073**	29,701
Interest on amounts owed to other related parties	**53,889**	35,415
	-----------	----------
	155,173	83,719
	=======	======

7 Profit before taxation

The profit before taxation is stated after charging:

	2022	2021
	€	€
Auditors' remuneration	**8,750**	3,000
Depreciation (Note 10)	**358**	269
Staff costs (Note 8)	**156,825**	90,045
	=======	======

8 Staff costs

	2022	2021
	€	€
Directors' fees	**9,000**	-
Salaries and wages	**142,472**	86,893
Social security and maternity fund contributions	**5,353**	3,152
	156,825	90,045

The average number of persons employed by the Company during the year was 2 (2021: 2).

9 Taxation

9.1 Tax expense

	2022	2021
	€	€
Current tax expense	**(216,510)**	(119,881)
Deferred tax expense (Note 9.3)	**(114,520)**	(385,461)
	(331,030)	(505,342)

9.2 Tax reconciliation

	2022	2021
	€	€
Profit before taxation	**556,615**	669,409
Tax at 35%	**(194,815)**	(234,293)
Tax effect of:		
Expenses disallowed for tax purposes	**(69,309)**	(76,451)
Property related tax consequences	**(114,520)**	(235,561)
Income taxed at different rates	**21,963**	13,530
Additional deductions	**25,651**	27,433
	(331,030)	(505,342)

9 Taxation (continued)

9.3 Deferred taxation

Deferred tax liability represents the tax effect of temporary differences relating to the fair value of the Company's investment property. The movement during the year is analysed as follows:

	2022	2021
	€	€
Balance as at 1 January	**2,548,200**	2,162,739
Movement during the year, recognised in profit or loss	**114,520**	385,461
	2,662,720	2,548,200

10 Property and equipment

	Quarries	**Equipment**	**Total**
	€	€	€
Cost			
Additions	2,193,391	1,435	2,194,826
Balance as at 31 December 2021 and 31 December 2022	**2,193,391**	**1,435**	**2,194,826**
Depreciation and impairment			
Depreciation charge	-	269	269
Balance as at 31 December 2021	-	269	269
Balance as at 1 January 2022	-	269	269
Depreciation charge	-	358	358
Balance as at 31 December 2022	**-**	**627**	**627**
Carrying amount			
Balance as at 31 December 2021	2,193,391	1,166	2,194,557
Balance as at 31 December 2022	**2,193,391**	**808**	**2,194,199**

10 Property and equipment (continued)

No depreciation was recognised in profit or loss on the Company's quarries from date of acquisition given that the landfilling activity did not commence as at the reporting date.

The Company's quarries at a carrying amount of €787,670 (2021: €787,670) and €1,405,721 (2021: €1,405,721) are pledged as security in relation to bank facilities granted to the Company (Note 15.2) and related parties (Note 18) respectively.

11 Investment property

	2022	2021
	€	€
Carrying amount as at 1 January	**25,962,408**	21,627,386
Additions	**3,451,135**	3,906,734
Disposals	**(10,408)**	-
Fair value movement during the year, recognised in profit or loss	**-**	428,288
Carrying amount as at 31 December	**29,403,135**	25,962,408

Investment property consists of undeveloped land, property under construction, and other immovable properties in finished state. On 15 August 2022, the temporary utile dominium on a land parcel expired and a loss amounting to €10,408 was recognised in profit or loss.

Properties in finished state are leased to related and third parties on operating leases or are vacant. Rental income of €476,275 (2021: €459,552) is included within revenue. The existing lease contracts cover a contractual period ranging between 10 to 15 years from the commencement of the lease. Maturity analysis of future operating lease rentals are as follows:

	Undiscounted lease payments due						
	Within 1 year	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**After 5 years**	**Total**
	€	€	€	€	€	€	€
31 December 2022	**425,118**	**452,197**	**475,155**	**493,904**	**496,383**	**2,919,452**	**5,262,209**
31 December 2021	395,158	287,835	293,247	299,669	304,256	2,149,808	3,729,973

Investment properties valued at €3,655,169 (2021: nil) and €24,737,571 (2021: €25,962,408) are pledged as security in relation to bank facilities granted to the Company (Note 15.2) and related parties (Note 18) respectively.

12 Trade and other receivables

	2022	2021
	€	€
Trade receivables:		
- third parties	**251**	19,957
- related parties	**7,203**	90,087
Indirect taxation	**34,853**	53,077
Prepayments	**14,039**	18,734
Other receivables	**156,469**	2,240
	212,815	184,095

The balance of trade receivables from related parties are unsecured, interest free and payable on demand.

13 Contract assets

	2022	2021
	€	€
Balance as at the beginning of the year	**-**	32,657
Additions	**42,938**	-
Transfer to trade receivables	**-**	(32,657)
	42,938	-

14 Equity

14.1 Share capital

	2022	2021
	€	€
Authorised and issued share capital		
Balance as at the beginning of the year	**1,200**	1,200
Issued during the year	**4,998,800**	-
	5,000,000	1,200

14 Equity (continued)

14.1 Share capital (continued)

By an extraordinary resolution of the shareholders dated 5 April 2022, the Company's authorised and issued share capital increased by €48,800 through the issue of 12,200 ordinary 'A' shares, 12,200 ordinary 'B' shares, 12,200 ordinary 'C' shares and 12,200 ordinary 'D' shares, all at a nominal value of €1 each. The increase in issued share capital was effected through the capitalisation of part of the Company's capital contribution reserve (Note 14.2).

Similarly, by another extraordinary resolution of the shareholders dated 23 November 2022, the Company's authorised and issued share capital increased further by €4,950,000 through the issue of 1,237,500 ordinary 'A' shares, 1,237,500 ordinary 'B' shares, 1,237,500 ordinary 'C' shares and 1,237,500 ordinary 'D' shares, all at a nominal value of €1 each. The increase in issued share capital was also effected through the capitalisation of part of the Company's capital contribution reserve (Note 14.2).

As at the reporting date, the Company's authorised and issued share capital consist of:
- 1,250,000 (2021: 300) ordinary 'A' shares at a nominal value of €1 each,
- 1,250,000 (2021: 300) ordinary 'B' shares at a nominal value of €1 each,
- 1,250,000 (2021: 300) ordinary 'C' shares at a nominal value of €1 each, and
- 1,250,000 (2021: 300) ordinary 'D' shares at a nominal value of €1 each.

All shares in issue are fully paid up. The holders of the ordinary 'B', 'C' and 'D' shares each have the right to appoint two directors to the board. The holders of the ordinary 'A' shares do not have any right to appoint directors to the board. The ordinary 'A', 'B', 'C' and 'D' shares carry identical equal voting rights at general meetings of the Company, are entitled to any distribution of dividends, and rank pari passu for any residual assets of the Company after the settlement of all liabilities in the event of the Company's winding up.

14.2 Capital contribution reserve

The capital contribution reserve comprise:
- the equity portion of long-dated interest-free loans advanced by the Company's corporate shareholders on 31 December 2020 and 29 November 2022 amounting to €5,836,735 and €783,140 respectively.
- contribution by the corporate shareholders of €4,998,800 on 31 December 2020 earmarked to be used to subscribe to new shares to be issued by the Company.

During the year, the Company capitalised €4,998,800 of this reserve in exchange to the issuance of the issue of 1,249,700 ordinary 'A' shares, 1,249,700 ordinary 'B' shares, 1,249,700 ordinary 'C' shares and 1,249,700 ordinary 'D' shares, all at a nominal value of €1 each (Note 14.1).

14.3 Retained earnings

The balance of retained earnings include €4,708,821 (2021: €4,823,341) non-distributable earnings arising from the fair value measurements of investment properties.

15 Borrowings

	2022	2021
	€	€
Non-current liabilities		
Loans due to corporate shareholders	**1,023,232**	878,299
Bank loans	**1,534,914**	322,731
	2,558,145	1,201,030
Current liabilities		
Bank loans	**1,418,730**	145,902

15.1 Loans due to corporate shareholders

The loans due to corporate shareholders are unsecured, interest free and payable in full by 29 November 2082. The contractual amount of these loans as at the reporting date was €7,582,333 (2021: €6,685,333). Interest expense using the effective interest method recognised in profit or loss during the year amounted to €31,073 (2021: €29,701). The loans are subordinated and junior to any and all other unsubordinated debts and liabilities of the Company towards its creditors.

15.2 Bank loans

The bank loans are secured by special hypothecary guarantees over the Company's quarries and investment property up to a limit of €322,701 (€493,380) and €2,635,873 (2021: nil) respectively.

The bank loans bear an interest rate ranging from 3.65% to 3.75% per annum and repayable as follows:

- in monthly installments of €13,470, inclusive of interest, by 31 January 2025;
- in monthly installments that progress over time from €10,000, inclusive of interest up till 31 March 2025, to €20,000 by maturity date.
- in one lump sum payment of €1,200,000 by 31 March 2023.

16 Trade and other payables

	2022	2021
	€	€
Non-current liabilities		
Deposits from tenants	**36,250**	5,000

16 Trade and other payables (continued)

	2022	2021
	€	€
Trade payables	**278,483**	30,686
Other payables	**8,633**	6,238
Amounts owed to related parties	**6,455,734**	7,179,525
Accruals	**1,237,784**	948,855
	7,980,634	8,165,304

The amounts owed to related parties are unsecured and payable on demand. These amounts are interest free except for an original principal amount of €1,470,000 which was subject to interest at 4.9% per annum as from 7 July 2021 to 28 July 2022. Interest charged by related parties during the year is disclosed in Note 6.

17 Contract liabilities

	2022	2021
	€	€
Balance as at the beginning of the year	**114,888**	114,888
Invoices issued in advance	**282,524**	344,664
Transfer to trade payables	**(394,579)**	(344,664)
	2,833	114,888

18 Related parties

The Company's related parties include the corporate shareholders and entities owned by the common corporate shareholders.

Details on the terms and conditions on the outstanding balances with related parties are disclosed in Notes 12, 14, 15 and 16 to these financial statements.

18 Related parties (continued)

Transactions with related parties include the following:

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2022	2021	**2022**	2021
	€	€	**€**	€
Revenue				
Rental income	**366,458**	391,902	**-**	90,087
Security fee income	**472,040**	-	**7,203**	-
Direct operating expenses				
Recharge of expenses	**11,374**	5,984	**9,158**	5,984
Administrative expenses				
Recharge of expenses	**8,880**	2,965	**14,011**	3,236
Finance costs				
Interest expense				
- corporate shareholders	**31,073**	29,701	**60,774**	29,701
- other related party	**53,889**	35,415	**-**	35,415

The carrying amount of the Company's properties amounting to €26,143,292 (2021: €27,368,129) (Notes 10 and 11) are provided as security against bank facilities granted to related parties.

19 Contingent liabilities

As at 31 December 2021, the Company was acting as a guarantor to related parties in favour of banks of related parties up to a limit of €45,885,000. During the year ended 31 December 2022, the banks cancelled these corporate guarantees.

As disclosed in Notes 10 and 11, the Company's properties are provided as security against the Company's own bank borrowings and bank borrowings granted to related parties. The maximum amount that can be settled by the Company if the special hypothecary guarantee is called upon by the bankers as at the reporting date amounted to €28,082,427 (2021: €25,576,454).

20 Financial instruments risk

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

20 Financial instruments risk (continued)

The Company's risk is managed by the board of directors and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets. The Company does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Company is exposed are described below.

20.1 Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which results from its financing. The Company is not exposed to currency risk since its financial instruments are denominated in the Company's functional currency.

The Company's interest-bearing borrowings are subject to variable interest rates. The following table illustrates the sensitivity of profit and equity to a reasonable possible change in interest rates of a parallel increase or decrease of 1% as at the reporting date. These changes are reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
	€	**€**	**€**	**€**
31 December 2022	**(29,536)**	**29,536**	**(29,536)**	**29,536**
31 December 2021	(4,686)	4,686	(4,686)	4,686

20.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Cash and cash equivalents

The credit risk associated with cash and cash equivalents is low in view of the existence of the depositors' compensation scheme that covers bank deposits up to a limit of €100,000 and that placements are only with major reputable financial institutions.

Trade receivables

The carrying amount of trade receivables is stated net of expected credit losses. In measuring the expected credit losses, the customers have been assessed on a collective basis as they possess common shared risk characteristics, and the model is based on past due dates.

20 Financial instruments risk (continued)

20.2 Credit risk analysis (continued)

Trade receivables (continued)

The contractual terms of the lease agreements entered with customers stipulate that receipts are received in advance of the period of use of the Company's investment property by the tenants. Similarly, the credit terms allowed to related parties to settle the fee in relation to the granting of the Company's immovable property as security against bank facilities, extends to a period between 15 to 30 days.

20.3 Liquidity risk analysis

Liquidity risk is the risk that the Company might be unable to meet its obligations, when these fall due. The Company raises funds mainly from its operations, related party borrowings and bank borrowings. Net cash requirements are compared to available borrowing facilities to determine headroom or any shortfalls.

As at 31 December 2022, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
	€	€	€	€
31 December 2022				
Loans due to corporate shareholders	-	-	-	7,582,333
Bank loans	1,352,070	140,820	1,074,112	707,909
Trade and other payables	1,524,900	-	-	36,250
Amounts owed to related companies	4,455,734	-	2,000,000	-
	7,332,704	**140,820**	**3,074,112**	**8,326,492**
31 December 2021				
Loans due to corporate shareholders	-	-	-	6,685,333
Bank loans	80,820	80,820	335,752	-
Trade and other payables	985,779	-	-	5,000
Amounts owed to related companies	5,179,525	-	2,000,000	-
	6,246,124	80,820	2,335,752	6,690,333

21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Measurement of fair value are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

21.1 Fair value measurement of financial instruments

The Company's financial instruments are classified into the amortised cost category and measured at amortised cost, determined at the net present value using the effective interest rate method (where discounting is material) at the date of issuance. The fair value of these financial instruments is determined at the net present value using the effective interest rate method (where discounting is material) at the reporting date. The determination of this fair value falls under the Level 2 of the fair value hierarchy.

In view that the Company's interest-bearing financial instruments are subject to a variable interest rate, the carrying amount of these instruments is a close approximation of their fair value. The fair value of the loans advanced to the Company by the corporate shareholders which as at the reporting date amounted to €1,023,232 (2021: €878,299) is determined at €426,220 (2021: €357,903) in view of the increase in market interest rates in recent years.

21.2 Fair value measurement of non-financial assets

The fair value of the Company's investment property (Note 11) has been determined by an accredited external independent architect based on Level 3 inputs. The valuation approaches adopted are based on the economic principles of price equilibrium and consisted of the market approach or the cost approach, whichever method was considered more appropriate.

In general, when adopting the market approach, the fair value is determined by comparing the asset with identical or comparable assets for which price information was readily available. A capitalisation rate of 6.2% was applied when the fair value was determined on the expected rental income flow.

The cost approach is based on the economic principle that a buyer will pay no more for an asset than the amount to create an asset of equal utility. This requires consideration of the cost that a prospectus buyer would incur in acquiring a similar asset with the potential to earn similar profit from its development.

22 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing services in a way that reflects the level of risk involved in providing those services.

The Company monitors capital on the basis of the carrying amount of equity plus its subordinated loan (Note 15), less cash and cash equivalents as presented in the financial statements.

No changes were made in the Company's objectives, policies and processes for managing capital during the years ended 31 December 2021 and 31 December 2022.

23 Events after the reporting date

On 30 January 2023, the Malta Financial Service Authority approved a €16,000,000 5.25% unsecured bond issuance programme of the Company with a period to maturity of 10 years. On 10 February 2023, the Company issued Tranche 1 of this programme which consisted of €12,000,000 5.25% unsecured bonds maturing in 2033 to finance its property expansion programme. These bonds were taken up by the public by 10 March 2023.

On 3 April 2023, the Company was listed on the Malta Stock Exchange.

By the date of approval of these financial statements, the Company settled in full its bank loans and a portion of its current trade and other payables.

On 26 April 2023, the Company acquired a property in Floriana with a Class 2C licence to be used as an educational building.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

Independent auditor's report

To the shareholders of Bonnici Bros. Properties p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bonnici Bros. Properties p.l.c. (the "Company") set out on pages 6 to 32 which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 21 June 2022.

Emphasis of Matter

We draw attention to note 2.2 to the financial statements which explains the going concern basis underlying the preparation of these financial statements. The management concluded that a major component of the proceeds of the issuance of the company's € 12,000,000 5.25% unsecured bonds during January 2023 will be utilised to settle most of the Company's current liabilities. Our opinion is not qualified in respect of this matter.

Other information

The director is responsible for the other information. The other information comprises the director's report shown on pages 2 to 4 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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 director's report, we also considered whether the director's report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the director's report has been prepared in accordance with the Act.

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 that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements

The director is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

The director is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Sharon Causon.

Causon

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq l-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

26 June 2023