O2 Estates Limited

Report & Financial Statements

30 June 2021

Company registration number: C 82197

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2021.

Principal activities

The company was incorporated on 18 August 2017 to hold, develop, administer and manage any immovable property, wherever situated with any rights thereon.

Review of business development

During the year under review, the company posted a net loss of € 4,369 (2020: € 3,559).

Directors

The following have served as directors of the company during the year under review:

Johann Schembri
Joseph Mallia

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

Disclosure of information to auditor

At the date of making this report, the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing their report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period 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 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 have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Johann Schembri
Director

Joseph Mallia
Director

Registered address:
Level 11, Portomaso Business Tower
Portomaso
St. Julian's
Malta

31 January 2022

Income statement

	Note	2021	2020
		€	€
Administrative expenses		(4,369)	(3,559)
Loss for the year	5	**(4,369)**	**(3,559)**

Statement of financial position

	Notes	2021 €	2020 €
Assets			
Non-current			
Investment property	7	216,129	216,129
		216,129	**216,129**
Current			
Cash and cash equivalents	8	173	227
		173	**227**
Total assets		**216,302**	**216,356**
Equity			
Share capital	9	1,200	1,200
Accumulated losses		(19,259)	(14,890)
Total deficit		**(18,059)**	**(13,690)**
Liabilities			
Non-current			
Payables	10	**228,517**	**224,017**
Current			
Payables	10	**5,844**	**6,029**
Total liabilities		**234,361**	**230,046**
Total equity and liabilities		**216,302**	**216,356**

The financial statements on pages 4 to 16 were approved by the board of directors, authorised for issue on 31 January 2022 and signed on its behalf by:

Johann Schembri
Director

Joseph Mallia
Director

Statement of changes in equity

	Share capital	Accumulated losses	Total deficit
	€	€	€
At 1 July 2019	1,200	(11,331)	(10,131)
Loss for the year	-	(3,559)	(3,559)
At 30 June 2020	**1,200**	**(14,890)**	**(13,690)**
At 1 July 2020	1,200	(14,890)	(13,690)
Loss for the year	-	(4,369)	(4,369)
At 30 June 2021	**1,200**	**(19,259)**	**(18,059)**

Accumulated losses include all current and prior period results as disclosed in the income statement.

Statement of cash flows

	Note	2021	2020
		€	€
Operating activities			
Loss for the year		(4,369)	(3,559)
Change in payables		(185)	1,681
Net cash used in operating activities		**(4,554)**	**(1,878)**
Financing activities			
Advances from related party		4,500	200
Net cash generated from financing activities		**4,500**	**200**
Net changes in cash		(54)	(1,678)
Cash at beginning of year		227	1,905
Cash at the end of year	8	**173**	**227**

Notes to the financial statements

1 Nature of operations

The company was incorporated on 18 August 2017 to hold, administer and manage any immovable property, wherever situated with any rights thereon.

2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

O2 Estates Limited, a private limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is Level 11, Portomaso Business Tower, Portomaso, St. Julian's, Malta.

The parent company is IZI Group plc (formerly known as Pinnacle Gaming Group Limited)of the same address. IZI Group plc prepares the consolidated financial statements, of which the company forms part.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

The financial statements are presented in euro (€), which is also the company's functional currency. The amounts presented in the financial statements have been rounded to the nearest euro.

3 New or revised Standards or Interpretations

3.1 New standards adopted as at 1 January 2020

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the company.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the company.

Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to have a material impact on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements* (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently, management has elected to present only an income statement.

4.2 Expense recognition

Expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

4.3 Investment property

Investment property comprises an arable land currently held for undetermined future use and is accounted for using the cost model. The land is measured at cost comprising its purchase price and directly attributable expenditure such as professional fees for legal services, property transfer taxes and other transaction costs.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

4.4 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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 risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the company did 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 asset
- the contractual cash flow characteristics of the financial asset.

All income 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.

Subsequent measurement of financial assets

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):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- 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. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and trade receivables.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead 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 the first category while 'lifetime expected credit losses' are recognised for the second category.

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

Receivables

The company makes use of a simplified approach in accounting for receivables 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. 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 assess impairment of receivables on a collective basis as they possess shared credit risk characteristics.

Classification and measurement of financial liabilities

The company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

4.5 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current 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 on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

4.6 Cash and cash equivalents

For the purpose of the statement of financial position and statement of cash flows, cash comprises demand deposits with banks.

4.7 Equity

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

Accumulated losses include current and prior period results.

4.8 Significant management judgement in applying accounting policies and estimation uncertainty

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

Significant management judgement

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax assets can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

5 Loss for the year

The loss for the year is stated after charging:

	2021 €	2020 €
Auditor's remuneration	2,242	2,065

6 Tax expense

The relationship between the expected tax income based on the effective tax rate of O2 Estates Limited at 35% (2020: 35%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2021 €	2020 €
Loss before tax	(4,369)	(3,559)
Tax rate	35%	35%
Expected tax income	**1,529**	**1,246**
Adjustment for non-deductible expense	(1,529)	(1,246)
Actual tax expense, net	-	-

7 Investment property

	2021 €	2020 €
Carrying amount	216,129	216,129

The property acquired is an arable land known as Ta' Minka situated at Wardija, Malta with an area of 4,140 square metres. This land is held for future agricultural purposes.

The directors believe that the fair value of the investment property did not significantly change from the time it was acquired in September 2017 until year end.

8 Cash and cash equivalents

Cash in the statement of financial position and statement of cash flows includes the following component:

	2021 €	2020 €
Cash at bank	173	227

The company did not have any restrictions on its cash at bank as at year end.

9 Share capital

The share capital of O2 Estates Limited consists of ordinary shares with a par value of € 1 each. Ordinary shares are equally eligible to receive dividends and represent one vote at the shareholders' meeting of O2 Estates Limited.

	2021 €	2020 €
Shares issued and fully paid at 30 June 2021		
1,200 ordinary shares of € 1 each	1,200	1,200
Shares authorised at 30 June 2021		
1,200 ordinary shares of € 1 each	1,200	1,200

10 Payables

	2021 €	2020 €
Amounts owed to parent company	228,517	224,017
Payables	2,872	-
Accruals	2,972	6,029
Financial liabilities	234,361	230,046
Comprising:		
Non-current	228,517	224,017
Current	5,844	6,029
	234,361	230,046

Amounts owed to parent company are unsecured, interest free and repayable after more than a year.

The carrying value of the financial liabilities is considered a reasonable approximation of fair value.

11 Related party transactions

The company's related parties include its parent company, ultimate controlling parties and key management personnel.

During the year the company received advances of € 4,500 (2020: € 200) from its parent company.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Amounts owed to the parent company are shown separately in note 10.

12 Financial instrument risks

Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from both its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risk.

The most significant financial risk to which the company is exposed are described below. See also note 12.5 for a summary of the company's financial assets and liabilities by category.

12.1 Market risk

Foreign currency risk

The company's transactions are mainly carried out in euro, thus foreign currency risk is negligible.

Interest rate risk

The company is not exposed to interest rate risk as it does not have borrowings with variable interest rates.

12.2 Credit risk

The company's exposure to credit risk is limited to the carrying amount of cash at bank recognised at the reporting date.

The credit risk for cash at bank is negligible since the counterparty is a reputable bank with high quality external credit ratings. At 30 June 2021, cash and cash equivalents are held with counterparties with credit rating of BBB- and are callable on demand.

12.3 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 10). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's obligations when they become due.

The company manages its liquidity needs through the financial support from its shareholders and other fellow group companies.

At 30 June 2021, the company's financial liabilities have contractual maturities which are summarised below:

	Current within 1 year €	Non-current 1 to 5 years €
At 30 June 2021		
Amounts owed to parent company	-	228,517
Payables	2,872	-
Accruals	2,972	-
	5,844	**228,517**

	Current within 1 year €	Non-current 1 to 5 years €
At 30 June 2020		
Amounts owed to parent company	-	224,017
Accruals	6,029	-
	6,029	**224,017**

12.4 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the end of the reporting period under review may also be categorised as follows. See note 4.4 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2021 €	2020 €
Current assets			
Loans and receivables:			
- Cash at bank	8	173	227
Non-current liabilities			
Amounts owed to parent company	10	228,517	224,017
Current liabilities			
Financial liabilities measured at amortised cost:			
- Payables	10	5,844	6,029

13 Capital management policies and procedures

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

The company monitors the level of debt, which includes trade and other payables less the bank balance against total capital on an ongoing basis. The directors consider the company's gearing level at year-end to be appropriate for its business.

14 Ultimate controlling party

The company's parent company, IZI Group plc, is ultimately controlled by Johann Schembri, who owns 99.9% of the parent company's issued share capital.

Independent auditor's report

To the shareholders of O2 Estates Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of O2 Estates Limited set out on pages 4 to 16 which comprise the statement of financial position as at 30 June 2021, and the income statement, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2021, 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 information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 and 3 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 directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

- 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 Mark Bugeja.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
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31 January 2022