Grant Thornton

St. George Developments Limited

Report & Financial Statements

30 June 2021

Company registration number: C 75549

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 6 May 2016 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 € 152,017 (2020: € 138,311).

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

7 February 2022

Income statement

	Note	2021	2020
		€	€
Other income		350,076	253,302
Administrative expenses		(385,424)	(226,852)
Finance costs		(116,669)	(164,761)
Loss for the year	6	**(152,017)**	**(138,311)**

Statement of financial position

	Notes	2021	2020
		€	€
Assets			
Non-current			
Plant and equipment	8	2,913	14,276
Investment in associate	9	400	400
Investment property	10	886,884	679,342
Other non-current assets	13	12,448	12,448
Right-of-use asset	11	891,383	3,066,424
		1,794,028	**3,772,890**
Current			
Receivables	12	7,770	9,778
Cash and cash equivalents	14	689	5,615
		8,459	**15,393**
Total assets		**1,802,487**	**3,788,283**

Statement of financial position – continued

	Notes	2021	2020
		€	€
Equity			
Share capital	15	5,000	5,000
Accumulated losses		(691,211)	(539,194)
Total deficit		**(686,211)**	**(534,194)**
Liabilities			
Non-current			
Trade and other payables	17	1,280,980	921,224
Lease liability	16	964,837	3,140,150
		2,245,817	**4,061,374**
Current			
Trade and other payables	17	242,881	119,463
Lease liability	16	-	141,640
		242,881	**261,103**
Total liabilities		**2,488,698**	**4,322,477**
Total equity and liabilities		**1,802,487**	**3,788,283**

The financial statements on pages 4 to 23 were approved by the board of directors, authorised for issue on 7 February 2022 and signed by:

Johann Schembri
Director

Joseph Mallia
Director

Statement of changes in equity

	Share capital	Accumulated losses	Total deficit
	€	€	€
At 1 July 2019	5,000	(401,987)	(396,987)
Adjustment on the transition to IFRS 16		1,104	1,104
Loss for the year	-	(138,311)	(138,311)
At 30 June 2020	**5,000**	**(539,194)**	**(534,194)**
At 1 July 2020	5,000	(539,194)	(534,194)
Loss for the year	-	(152,017)	(152,017)
At 30 June 2021	**5,000**	**(691,211)**	**(686,211)**

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

Statement of cash flows

	Notes	2021	2020
		€	€
Loss for the year		(152,017)	(138,311)
Adjustments	18	254,634	369,160
Net changes in working capital	18	(12,883)	83,980
Net cash generated from operating activities		**89,734**	**314,829**
Investing activities			
Acquisition of plant and equipment		-	(12,798)
Payments to acquire investment property		(197,024)	(370,387)
Net cash used in investing activities		**(197,024)**	**(383,185)**
Financing activities			
Advances from related parties		359,756	285,820
Payment on termination of lease		(120,000)	-
Interest paid on lease liabilities		(116,669)	(164,761)
Repayment of lease liabilities		(20,723)	(4,341)
Net cash generated from financing activities		**102,364**	**116,718**
Net change in cash and cash equivalents		(4,926)	48,362
Cash and cash equivalents, beginning of year		5,615	(42,747)
Cash and cash equivalents, at the end of year	14	**689**	**5,615**

Notes to the financial statements

1 Nature of operations

The company was incorporated on 6 May 2016 to hold, administer and manage any immovable property, wherever situated with any rights thereon.

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

St. George Developments Limited (the 'company'), 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 at Pinnacle Gaming Group Limited) of the same address. IZI Group plc prepares the consolidated financial statements, of which the company forms part.

St. George Developments Limited met all the conditions specified under paragraph 17 of IAS 28, *Investments in Associates and Joint Ventures*, to be exempted from applying the equity method to its investment in associate.

The financial statements of the company have been prepared in accordance with IFRS as adopted by the European Union, 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.

The financial statements have been drawn up on a going concern basis. At the reporting date the company had net current liabilities of € 234,422 (2020: € 245,710) and net liabilities of € 686,211 (2020: € 534,194).

However, of the total liabilities € 1,280,980 (2020: € 921,224) was owed to the company's parent company, IZI Group plc (see note 17). The directors have obtained assurance that the parent company will not call for payment of the amount due before third party balances are settled and will continue to provide support for the company to meet its obligations.

3 Ongoing consideration of the effects of COVID-19

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, the directors have continued to actively monitor all developments currently taking place in Malta in order to take any immediate action to safeguard the interests of the company.

During 2020, these events have had significant impact on the general economy and on the industry in which the company operates. Management believe that no material uncertainty that may cast significant doubt about the company's ability to continue as a going concern exists as at that date.

Notwithstanding, the results of the company are still considered by management to be satisfactory.

4 New or revised Standards or Interpretations

4.1 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.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or 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.

4.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group

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.

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 neither adopted nor listed by the company have not been disclosed as they are not expected to have a material impact on the company's financial statements.

5 Summary of accounting policies

5.1 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.

5.2 Expense recognition

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

5.3 Investment in associate

Investment in associate is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At each reporting date the company reviews the carrying amount of its investment in associate to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in income statement.

5.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or for both.

It is initially measured at cost. After initial recognition it is carried at cost less accumulated depreciation and any accumulated impairment losses.

No depreciation is provided on investment property which has not yet brought into use.

5.5 Plant and equipment

Items of plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of plant and equipment as follows:

Machinery equipment	6 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Gain or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets are recognised in the income statement within 'other income' or 'other operating expenses.'

5.6 Impairment testing of plant and equipment

For the purposes of assessing impairment, 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 level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the company's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the company's management.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.7 Leases

Finance lease as lessee

For any new contracts, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the company recognizes a right of use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been disclosed separately (see note 11) and lease liabilities have been disclosed separately (see note 16).

5.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the company become 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.

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 forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and trade receivables.

The company considers a broad 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.

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other 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 trade 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 and lease liabilities.

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.

5.9 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.

5.10 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

5.11 Equity

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

Accumulated losses include all current and prior period results.

5.12 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

6 Loss for the year

The loss for the year is stated after charging:

	2021	2020
	€	€
Auditor's remuneration	3,150	2,950

7 Tax expense

The relationship between the expected tax income based on the effective tax rate of St. George Developments 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	(152,017)	(138,311)
Tax rate	35%	35%
Expected tax income	**53,206**	**48,409**
Adjustment for non-deductible expense	(86,907)	(94,140)
Non-taxable gain	122,527	-
Share of profits from associate	-	88,656
Deferred tax not recognised	(88,826)	(42,925)
Actual tax expense, net	-	-

8 Plant and equipment

Details of the company's plant and equipment and their carrying amounts are as follows:

	Machinery & equipment
Balance at 1 July 2019	2,786
Additions	12,798
Balance at 30 June 2020	**15,584**
Depreciation	
Balance at 1 July 2019	464
Depreciation for the year	844
Balance at 30 June 2020	**1,308**
Carrying amount at 30 June 2020	**14,276**
Balance at 1 July 2020	15,584
Reclassification to investment properties (see note 10)	(10,518)
Balance at 30 June 2021	**5,066**
Depreciation	
Balance at 1 July 2020	1,308
Depreciation for the year	845
Balance at 30 June 2021	**2,153**
Carrying amount at 30 June 2021	**2,913**

All depreciation is included within 'administrative expenses' in the income statement.

9 Investment in associate

The company holds 22.2% voting and equity interest in Confident Limited engaged in purchasing, selling development and improving land and building for investment purposes. These shares are not publicly listed on a stock exchange and hence published price quotes are not available.

10 Investment property

On 20 July 2020 the company entered into 30 (thirty) years temporary emphyteusis of a property situated in Malta. The company binds itself to demolish the existing property and to construct block of buildings to earn rentals. The construction works have already started in 2020 and not yet completed during the period under review.

Carrying amount at 30 June	**Investment property**
Balance at 1 July 2019	308,955
Additions	370,387
Balance at 30 June 2020	**679,342**
Balance at 1 July 2020	679,342
Additions	197,024
Reclassification from plant and equipment (see note 8)	10,518
Balance at 30 June 2021	**886,884**

11 Right-of-use asset

Details of the company's right-of-use asset and their carrying amount can be analysed as follows:

	Leased properties €
Cost	
Adjustment on transition to IFRS	3,269,979
At 30 June 2020	**3,269,979**
At 1 July 2020	3,269,979
Modification of leases (note 16)	(2,310,197)
At 30 June 2021	**959,782**
Accumulated depreciation	
Charge for the year	203,555
Balance at 30 June 2020	**203,555**
At 1 July 2020	203,555
Release from the modification of leases (note 16)	(272,276)
Charge for the year	137,120
Balance at 30 June 2021	**68,399**
Carrying amount at 30 June 2020	**3,066,424**
Carrying amount at 30 June 2021	**891,383**

The depreciation charge on right-of-assets was included in the income statement within 'administrative expenses'.

12 Receivables

	2021	2020
	€	€
Prepayment	3,930	-
Other receivables	3,840	9,778
Total receivables	**7,770**	**9,778**

The carrying value of the financial assets are considered a reasonable approximation of fair value.

13 Other non-current assets

The company's other non-current assets include the following:

	2021	2020
	€	€
Guarantees	11,398	11,398
Security deposit	1,050	1,050
Non-current financial assets	**12,448**	**12,448**

14 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2021	2020
	€	€
Bank deposits	189	5,115
Cash on hand	500	500
Cash and cash equivalents	**689**	**5,615**

15 Share capital

The share capital of St. George Developments 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 St. George Developments Limited.

	2021	2020
	€	€
Shares issued and fully paid up		
5,000 ordinary shares of € 1 each	**5,000**	**5,000**
Shares authorised		
100,000 ordinary shares of € 1 each	**100,000**	**100,000**

16 Lease liability

Lease liability is included in the statement of financial position as follows:

	2021 €	2020 €
Current	-	141,640
Non-current	964,837	3,140,150
	964,837	**3,281,790**

The company has a lease for 3 commercial properties. With the exception of short-term leases and leases of low-value underlying assets, the lease is included in the statement of financial position as a right-of-use asset and a lease liability (see note 11).

Each lease generally imposes a restriction that, unless there is a contractual right for the company to sublet the asset to another party, the right-of-use asset can only be used by the company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The company is prohibited from lending or transferring the underlying leased assets. Upon termination, the right-of-use assets shall be returned to the lender in as good a condition as when received by the company, except for reasonable wear and tear. The company shall ensure that these assets are at all times kept in a good state of repair and return the shops in their original condition at the end of the lease.

During the year, the company terminated the leases of 2 commercial properties on 8 January 2021 and 10 March 2021. Accordingly, the right-of-use asset and lease liability were reduced in proportion to the reduction in lease amount as at termination date with the difference recognised in profit or loss; and the lease liability adjusted to its modified carrying amount against the right-of-use asset. The remaining lease term of the remaining commercial property as at 30 June 2021 is 12 years.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2021 were as follows:

	Minimum lease payments			
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	Total €
30 June 2021				
Lease payments	45,625	218,240	1,610,563	**1,874,428**
Finance charges	(45,625)	(194,251)	(669,715)	**(909,591)**
Net present values	**-**	**23,989**	**940,848**	**964,837**
30 June 2020				
Lease payments	299,837	1,147,240	3,674,680	**5,121,757**
Finance charges	(158,197)	(590,421)	(1,091,349)	**(1,839,967)**
Net present values	**141,640**	**556,819**	**2,583,331**	**3,281,790**

17 Trade and other payables

	2021 €	2020 €
Non-current		
Amounts owed to parent company	1,280,980	921,224
Non-current financial liabilities	**1,280,980**	**921,224**
Current		
Trade payables	204,144	90,712
Accrued expenses	4,290	8,782
Current financial liabilities	**208,434**	**99,494**
Statutory liabilities	34,447	19,969
Total current liabilities	**242,881**	**119,463**
Total trade and other payables	**1,523,861**	**1,040,687**

The carrying value of financial liabilities are considered to be a reasonable approximation of fair value.

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

18 Cash flow adjustment and changes in working capital

The following non-cash flow adjustment and adjustments for changes in working capital have been made to the loss before for the year to arrive at operating cash flow:

	2021 €	2020 €
Adjustment:		
Depreciation of plant and equipment	845	844
Depreciation of right of use asset	137,120	203,555
Finance cost	116,669	164,761
	254,634	**369,160**
Net changes in working capital:		
Change in receivables	2,008	19,837
Change in trade and other payables	(14,892)	64,143
	(12,883)	**83,980**

19 Related party transactions

The company's related parties include its parent company, fellow subsidiaries, associate and key management personnel.

A summary of the transactions with the parent company is as follows

	2021 €	2020 €
Balance at 1 July	(921,224)	(1,456,210)
Net advance to	-	600,400
Recharged expenses	(359,756)	(65,414)
Balance at 30 June	**(1,280,980)**	**(921,224)**

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Amouts owed by/to the related companies are shown separately in note 17.

20 Financial instrument risks

Risk management objectives and policies

The company is exposed to various risks in relation to financial instruments. The company's financial assets and liabilities by category are summarised in note 20.4. The main types of risks are market risk, credit risk and liquidity risk.

The company's risk management is coordinated by the directors and focus on actively securing the company's short to medium term cash flows by minimising the exposure to financial risks.

The company does not actively 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 Credit risk

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	Notes	2021	2020
		€	€
Classes of financial assets - carrying amount			
- Cash and cash equivalent	14	689	5,615
- Guarantees	13	11,398	11,398
- Security deposits	13	1,050	1,050
		13,137	18,063

The company is exposed to credit risk on guarantees and security deposits.

The company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets are secured by collateral or other credit enhancements.

The directors do not consider any expected credit losses arising from these financial assets. The company did not have any trade receivables at the end of the current financial reporting period.

The company banks only with reputable local financial institutions with high quality standing or rating.
At 30 June 2021, cash and cash equivalents are held with counterparties with credit rating of BBB- and are callable on demand. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligation in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the company.

The company has issued guarantees as stated in note 13 which is the maximum exposure to credit risk if the company is called upon to pay such guarantees.

20.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 17) and lease liabilities (see note 16). 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	Non-current		
	within 1 year	2 to 5 years	Later than 5 years	Total
	€	€	€	€
30 June 2021				
Amounts owed to parent company	-	1,280,980	-	1,280,980
Accrued expense	4,290	-	-	4,290
Trade and other payables	204,144	-	-	204,144
Lease liability	-	23,989	940,848	964,837
	208,434	1,304,969	940,848	2,454,251

At 30 June 2020, the company's financial liabilities have contractual maturities which are summarised below:

	Current	Non-current		
	within 1 year	2 to 5 years	Later than 5 years	Total
	€	€	€	€
30 June 2020				
Amounts owed to parent company	-	921,224	-	921,224
Accrued expense	8,782	-	-	8,782
Trade and other payables	90,712	-	-	90,712
Lease liability	141,640	556,819	2,583,331	3,281,790
	241,134	1,478,043	2,583,331	4,302,508

20.3 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 has no financial instruments subject to floating interest rate, except for cash at bank, which historically has shown small change in interest rates. As such, the company's management believes that the interest rate risk is not material.

20.4 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 periods under review may also be categorised as follows. See note 5.8 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2021 €	2020 €
Non-current assets			
Loans and receivables:			
- Cash and cash equivalents	14	689	5,615
- Guarantees	13	11,398	11,398
- Security deposits	13	1,050	1,050
		13,137	18,063
Non-current liabilities			
- Amounts owed to parent company	17	1,280,980	921,224
- Lease liabilities	16	964,837	3,140,150
		2,245,817	4,061,374
Current liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables	17	204,144	90,712
- Accrued expense	17	4,290	8,782
- Lease liabilities	16	-	141,640
		208,434	241,134

21 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.

22 Post-reporting date events

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

Independent auditor's report

To the shareholders of St. George Developments Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of St. George Developments Limited set out on pages 4 to 23 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.

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 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 directors are 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 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 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 directors are 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.
- 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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7 February 2022