

P & C LIMITED

Report and Financial Statements

for the year ended 31 December 2019

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P & C LIMITED

Directors' Responsibilities

The Maltese Companies Act (Cap. 386), 1995 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the entity and of the profit or loss of the entity for that year. In preparing these the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the entity will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting 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 entity and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

P & C LIMITED

Independent Auditors' Report

To the Members of P & C Limited

Opinion

We have audited the accompanying financial statements of P & C Limited, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of P & C Limited as of 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act in Malta, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance to International Financial Reporting Standards as adopted by the EU and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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.

P & C LIMITED

Independent Auditors' Report

To the Members of P & C Limited

As part of an audit in accordance with 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mr Manuel Castagna

for and on behalf of

Nexia BT

Certified Public Accountants

The Penthouse, Suite 2

Capital Business Centre, Entrance C

Triq taz-Zwejt

San Gwann SGN 3000

Malta

Date : 24 April 2020

P & C LIMITED

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

| | | 2019 (12 months) € | 2018 (17 months) € |
|--|------------------|--------------------------|--------------------------|
| | Notes | | |
| Revenue | 2 & 4 | 191,622 | 232,546 |
| Administrative expenses | | (46,139) | (70,980) |
| Operating profit | 5 | 145,483 | 161,566 |
| Movement in revaluation of investment property | | 2,236,957 | 4,341,277 |
| Finance costs | 6 | (42,665) | (65,986) |
| Profit before taxation | | 2,339,775 | 4,436,857 |
| Income tax | 7 | (256,309) | (400,961) |
| Profit for the year /period | | 2,083,466 | 4,035,896 |
| Total comprehensive income | | 2,083,466 | 4,035,896 |

The notes on pages 8 to 22 form an integral part of these financial statements.

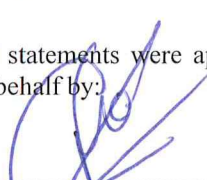
P & C LIMITED

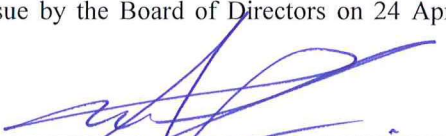
Statement of Financial Position

at 31 December 2019

| | Notes | 2019 € | 2018 € |
|-------------------------------------|-------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | 8 | 10,200,000 | 7,200,000 |
| Property, plant and equipment | 10 | 163,849 | 165,550 |
| | | <u>10,363,849</u> | <u>7,365,550</u> |
| Current assets | | | |
| Trade and other receivables | 11 | 186,726 | 233,566 |
| Cash at bank and in hand | 12 | - | 2,742 |
| | | <u>186,726</u> | <u>236,308</u> |
| Total assets | | <u>10,550,575</u> | <u>7,601,858</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Called up issued share capital | 13 | 2,329 | 2,329 |
| Revaluation reserve | | 7,127,311 | 5,130,354 |
| Retained earnings | | 392,110 | 305,601 |
| Total equity | | <u>7,521,750</u> | <u>5,438,284</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 14 | 785,970 | 892,948 |
| Deferred taxation | 15 | 875,708 | 637,264 |
| Trade and other payables | 16 | - | 360,000 |
| | | <u>1,661,678</u> | <u>1,890,212</u> |
| Current liabilities | | | |
| Short-term borrowings | 14 | 119,434 | 112,082 |
| Trade and other payables | 16 | 1,238,368 | 146,274 |
| Current tax payable | 17 | 9,345 | 15,006 |
| | | <u>1,367,147</u> | <u>273,362</u> |
| Total liabilities | | <u>3,028,825</u> | <u>2,163,574</u> |
| Total equity and liabilities | | <u>10,550,575</u> | <u>7,601,858</u> |

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2020, and signed on its behalf by:


Mr Christopher Erendo
Director


Mr Nicholas Erendo
Director

The notes on pages 8 to 22 form an integral part of these financial statements.

P & C LIMITED

Statement of Changes in Equity for the year ended 31 December 2019

| | Called-up issued share capital | Revaluation reserve | Retained earnings | Total |
|--|---|--------------------------------|------------------------------|--------------|
| | € | € | € | € |
| At 1 January 2018 | 2,329 | 1,168,796 | 231,263 | 1,402,388 |
| Profit for the period | - | - | 4,035,896 | 4,035,896 |
| Other comprehensive income | | | | |
| Movement on revaluation of property, net of deferred tax | - | 3,961,558 | (3,961,558) | - |
| Total comprehensive income | - | 3,961,558 | 74,338 | 4,035,896 |
| At 31 December 2018 | 2,329 | 5,130,354 | 305,601 | 5,438,284 |
| Profit for the year | - | - | 2,083,466 | 2,083,466 |
| Other comprehensive income | | | | |
| Movement on revaluation of property, net of deferred tax | - | 1,996,957 | (1,996,957) | - |
| Total comprehensive income | - | 1,996,957 | 86,509 | 2,083,466 |
| At 31 December 2019 | 2,329 | 7,127,311 | 392,110 | 7,521,750 |

P & C LIMITED

Statement of Cash Flows

for the year ended 31 December 2019

| | 2019 (12 months) € | 2018 (17 months) € |
|--|--------------------------|--------------------------|
| Cash flows from operating activities | | |
| Operating profit | 145,483 | 161,566 |
| Adjustments for: | | |
| Depreciation | 1,701 | 7,042 |
| | <u>147,184</u> | <u>168,608</u> |
| Working capital changes: | | |
| Movement in trade and other receivables | 46,840 | 282,931 |
| Movement in trade and other payables | (30,949) | 426,416 |
| Cash flows from operations | 163,075 | 877,955 |
| Interest paid | (42,665) | (65,986) |
| Taxation refunded | - | 16,498 |
| Taxation paid | (23,526) | - |
| Net cash flows from operating activities | <u>96,884</u> | <u>828,467</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | - | (126,578) |
| Net cash flows from investing activities | <u>-</u> | <u>(126,578)</u> |
| Cash flows from financing activities | | |
| Movement in related party loans | 13,026 | (790,322) |
| Movement in bank loans | (113,418) | 94,520 |
| Net cash flows from financing activities | <u>(100,392)</u> | <u>(695,802)</u> |
| Movement in cash and cash equivalents | <u>(3,508)</u> | <u>6,087</u> |
| Reconciliation of net cash flow to movement in net debt | | |
| Movement in cash and cash equivalents | (3,508) | 6,087 |
| Cash and cash equivalents at start of year | 2,742 | (3,345) |
| Cash and cash equivalents at end of year | <u>(766)</u> | <u>2,742</u> |
| Cash and cash equivalents | | |
| Cash at bank and in hand | - | 2,742 |
| Bank balance overdrawn | (766) | - |
| | <u>(766)</u> | <u>2,742</u> |

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

1. General information

P & C Limited is a limited liability company incorporated in Malta. The company is engaged in renting of property and the provision of ancillary services. Its registered office is at 10, Timber Wharf, Marsa MRS 1443, Malta.

2. Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Maltese Companies Act (Chap. 386), and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

New and revised standards that are effective for the current period

In the current year, the entity has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the current lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had an impact on the financial position and financial performance of the entity.

Notes to the Financial Statements

for the year ended 31 December 2019

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The directors do not expect that the adoption of the amended Standards will have a material impact on the financial statements of the company.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the company, and the cost of the property can be reliably measured. Investment property is initially measured at cost, including transaction costs, less impairment losses.

After initial recognition, investment property is carried under the fair value model, that is the fair value at the revaluation date less any accumulated depreciation, with changes in fair value above the historical cost of the investment property being recognised in a separate component of equity under the heading of fair value reserve.

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. They are subsequently stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Depreciation is provided at rates intended to write down the cost of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

| | | |
|--------------------------|---|-------------------|
| Improvements | - | 1% Straight Line |
| Electrical installations | - | 10% Straight Line |
| Plant and machinery | - | 20% Straight Line |
| Furniture and fittings | - | 10% Straight Line |
| Air conditioner | - | 17% Straight Line |
| Lift | - | 17% Straight Line |

Financial assets

Financial assets are recognised when the entity becomes a party to the contractual provisions of a 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.

Financial liabilities

The company's financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. Any changes in fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income.

Interest-related charges are recognised as an expense in the period in which they are incurred.

Share capital

Ordinary shares are classified as equity.

Dividends are recognised in the period in which they are declared.

Notes to the Financial Statements

for the year ended 31 December 2019

Impairment

Impairment testing for investment property and property, plant 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 level. These assets 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 asset's (or cash generating unit's) carrying amount exceeds its recoverable amount, which is higher of fair value less costs of disposal and value-in-use. These assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

Impairment of financial assets

Impairment calculations for financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. 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), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third 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.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the Statement of Financial Position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse.

Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

Foreign currencies

The financial statements are presented in Euro, being both the company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position. Translation differences are dealt with through the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Revenue

Revenue comprises rental income and management fees, net of taxes. Rental income and management fees receivable are recognised on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrawns. Bank overdrawns that are repayable on demand and form part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

4. Revenue

| | 2019 (12 months) € | 2018 (17 months) € |
|---------------------------|--------------------------|--------------------------|
| Rent receivable | 168,562 | 199,876 |
| Management fee receivable | 23,060 | 32,670 |
| | <u>191,622</u> | <u>232,546</u> |

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

5. Operating profit

| | 2019 (12 months) € | 2018 (17 months) € |
|--|--------------------------|--------------------------|
| Operating profit is stated after charging: | | |
| Staff costs | 4,886 | 28,036 |
| Depreciation | 1,701 | 7,042 |
| Auditors' remuneration | 1,931 | 1,674 |
| | <u>4,886</u> | <u>28,036</u> |

Staff costs

| | 2019 (12 months) € | 2018 (17 months) € |
|-----------------------|--------------------------|--------------------------|
| Wages and salaries | 4,124 | 21,791 |
| Social security costs | 762 | 6,245 |
| | <u>4,886</u> | <u>28,036</u> |

Number of employees

The average number of employees during the year was:

| | 2019 | 2018 |
|----------------|----------|----------|
| Administration | <u>1</u> | <u>1</u> |

6. Finance costs

| | 2019 (12 months) € | 2018 (17 months) € |
|-----------------------|--------------------------|--------------------------|
| Interest on bank loan | 42,312 | 65,986 |
| Other interest | 353 | - |
| | <u>42,665</u> | <u>65,986</u> |

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

7. Income tax

| | 2019 (12 months) € | 2018 (17 months) € |
|-------------------------|--|--|
| Malta Income Tax : | | |
| Current - for the year | 17,865 | 15,943 |
| Deferred | 238,444 | 385,018 |
| Tax charge for the year | <u>256,309</u> | <u>400,961</u> |

The accounting profit and the tax charge for the year are reconciled as follows:

| | 2019 (12 months) € | 2018 (17 months) € |
|-------------------------------------|--|--|
| Profit before taxation | <u>2,339,775</u> | <u>4,436,857</u> |
| Tax thereon at 35% | 818,921 | 1,552,900 |
| Tax effect of permanent differences | (562,612) | (1,151,939) |
| Tax charge for the year | <u>256,309</u> | <u>400,961</u> |

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

8. Investment property

| | Land and buildings € |
|-----------------------|-------------------------------------|
| Fair value | |
| At 1 August 2017 | 2,858,723 |
| Revaluation | 4,341,277 |
| At 31 December 2018 | <u>7,200,000</u> |
| At 1 January 2019 | 7,200,000 |
| Additions | 763,043 |
| Revaluation | 2,236,957 |
| At 31 December 2019 | <u>10,200,000</u> |
| Net book value | |
| At 31 December 2019 | <u>10,200,000</u> |
| At 31 December 2018 | <u>7,200,000</u> |

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

The fair value of the investment property as at 31 December 2019 is based on a valuation carried out by an independent architect between 7 August 2019 and 9 October 2019. The architect is qualified and has recent experience in valuation of similar property type and location.

Details of the investment property and the information about the fair value hierarchy as at 31 December 2019 are as follows:

| Type of property | Date | Level 2 € | Total € |
|---------------------|----------------|-------------------|-------------------|
| Commercial property | 7 August 2019 | 7,200,000 | 7,200,000 |
| Commercial property | 9 October 2019 | 260,000 | 260,000 |
| Residential | 9 October 2019 | 2,740,000 | 2,740,000 |
| Total | | 10,200,000 | 10,200,000 |

There were no transfers between the hierarchy levels during the year.

For investment property categorised under Level 2 of the fair value hierarchy, the following techniques and inputs were used:

| Type of property | Technique | Inputs |
|---------------------|-----------------|--|
| Commercial property | Market approach | The value of the property is based on the selling price of a similar commercial property. |
| Residential | Market approach | The value of the property is based on the selling price of a similar residential property. |

During the year the company used the same valuation technique used in the previous year.

The commercial property with a fair value of € 7,200,000 was subject to a promise of sale agreement at an agreed price of € 7,200,000. The promise of sale agreement was valid up to 8 March 2020, and by this date the buyer failed to appear on the final deed subject to the agreed conditions. The deposit related to this promise of sale agreement amounts to € 360,000 (refer to Note 16).

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

10. Property, plant and equipment

| | Improve- ments € | Electrical installations € | Plant and machinery € | Furniture and fittings € | Air- conditioner € | Lift € | Total € |
|--|------------------------|----------------------------------|-----------------------------|--------------------------------|--------------------------|---------------|------------------|
| Cost | | | | | | | |
| At 1 August 2017 | 43,547 | 69,943 | 21,454 | 128,856 | 97,218 | 29,334 | 390,352 |
| Additions | 126,578 | - | - | - | - | - | 126,578 |
| At 31 December 2018 | <u>170,125</u> | <u>69,943</u> | <u>21,454</u> | <u>128,856</u> | <u>97,218</u> | <u>29,334</u> | <u>516,930</u> |
| At 1 January 2019 / At 31 December 2019 | <u>170,125</u> | <u>69,943</u> | <u>21,454</u> | <u>128,856</u> | <u>97,218</u> | <u>29,334</u> | <u>516,930</u> |
| Depreciation | | | | | | | |
| At 1 August 2017 | 2,873 | 69,943 | 21,454 | 123,516 | 97,218 | 29,334 | 344,338 |
| Charge for the year | 1,702 | - | - | 5,340 | - | - | 7,042 |
| At 31 December 2018 | <u>4,575</u> | <u>69,943</u> | <u>21,454</u> | <u>128,856</u> | <u>97,218</u> | <u>29,334</u> | <u>351,380</u> |
| At 1 January 2019 Charge for the year | 4,575 1,701 | 69,943 - | 21,454 - | 128,856 - | 97,218 - | 29,334 - | 351,380 1,701 |
| At 31 December 2019 | <u>6,276</u> | <u>69,943</u> | <u>21,454</u> | <u>128,856</u> | <u>97,218</u> | <u>29,334</u> | <u>353,081</u> |
| Net book value | | | | | | | |
| At 31 December 2019 | <u>163,849</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>163,849</u> |
| At 31 December 2018 | <u>165,550</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>165,550</u> |

Fully depreciated assets on which depreciation was not taken amounted to € 217,949 (2018: € 217,949).

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

11. Trade and other receivables

| | 2019 | 2018 |
|---------------------------------|----------------|----------------|
| | € | € |
| Trade receivables | 3,510 | 47,457 |
| Amounts owed by related parties | Note 105,268 | 93,344 |
| Other receivables | 262 | 418 |
| Accrued income | 75,356 | 75,000 |
| Financial assets | 184,396 | 216,219 |
| Advance payments to suppliers | 2,330 | 17,347 |
| | <u>186,726</u> | <u>233,566</u> |

Amounts owed by related parties

Amounts owed by related parties are unsecured, interest-free and have no fixed date of repayment.

12. Cash at bank and in hand

As at year-end, the company did not have any restrictions on its cash at bank and in hand (2017: blocked funds of € 1,704).

13. Called up issued share capital

| | 2019 | 2018 |
|--|---------------|---------------|
| | € | € |
| Authorised | | |
| 5,000 Ordinary shares of 2.329373 each | <u>11,647</u> | <u>11,647</u> |
| Called up issued and 20% paid -up | | |
| 5,000 Ordinary shares of 2.329373 each | <u>2,329</u> | <u>2,329</u> |

Each ordinary share gives the right to one vote, participates equally in profits distributed by the company and carries equal rights upon the distribution of assets by the company in the event of a winding up.

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Notes to the Financial Statements

for the year ended 31 December 2019

14. Borrowings

| | 2019 | 2018 |
|---|---------------------|------------------|
| | € | € |
| Falling due within one year: | | |
| Bank balance overdrawn | 766 | - |
| Bank loans | <i>Note</i> 118,668 | 112,082 |
| Short-term borrowings | <u>119,434</u> | <u>112,082</u> |
| Falling due in between two and five years: | | |
| Bank loans | <i>Note</i> 304,327 | 373,383 |
| Related party loans | <i>Note</i> 142,190 | 129,164 |
| Beneficial owner's loan | <i>Note</i> 30,273 | 30,273 |
| | <u>476,790</u> | <u>532,820</u> |
| Falling due in five years or more: | | |
| Bank loans | <i>Note</i> 309,180 | 360,128 |
| Long-term borrowings | <u>785,970</u> | <u>892,948</u> |
| | <u>905,404</u> | <u>1,005,030</u> |

Bank loans

A bank loan amounting to € 543,552 is repayable by monthly instalments of € 5,839. Another bank loan amounting to € 57,824 is repayable by monthly instalments of € 2,416. Another bank loan amounting to € 99,850 is repayable by monthly instalments of € 3,579. Another bank loan amounting to € 30,949 is repayable by monthly instalments of 1,035. The bank loans are secured by a general hypothec over the company's assets, by a special hypothec over property in Mosta and Marsa, by pledges taken over various insurance policies, and by personal guarantees of the shareholders. The first three loans bear interest at 5.35% per annum, while the latter bears interest at 4.85% per annum.

Related party loans

Related party loans are unsecured, interest-free and have no fixed date of repayment.

Beneficial owner's loan

Beneficial owner's loan is unsecured, interest-free and has no fixed date of repayment.

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

15. Deferred taxation

Deferred tax is analysed over the following temporary differences:

| | 2019 | 2018 |
|--|----------------|----------------|
| | € | € |
| Excess of capital allowances over depreciation | (8,277) | (10,736) |
| Unabsorbed tax losses and capital allowances | (4,015) | - |
| Revaluation of investment property | 888,000 | 648,000 |
| | <u>875,708</u> | <u>637,264</u> |

16. Trade and other payables

| | 2019 | 2018 |
|---------------------------------|---------------------|----------------|
| | € | € |
| Trade payables | 27,666 | 131,324 |
| Amounts owed to related parties | <i>Note</i> 830,834 | - |
| Other payables | 360,000 | 360,000 |
| Accruals | 8,514 | 7,871 |
| Deferred income | 11,354 | 7,079 |
| | <u>1,238,368</u> | <u>506,274</u> |
| Current | <u>1,238,368</u> | <u>146,274</u> |
| Non-current | <u>-</u> | <u>360,000</u> |

Amounts owed to related parties

Amounts owed to related parties are unsecured, interest-free and have no fixed date of repayment.

17. Current tax payable

| | 2019 | 2018 |
|-----------------------------------|--------------|---------------|
| | € | € |
| The tax provision is made up of : | | |
| Balance at beginning of year | 15,006 | (17,435) |
| Provision for the year | 17,865 | 15,943 |
| Settlement tax paid | (15,943) | - |
| Provisional tax paid | (7,583) | - |
| Tax refunded | - | 16,498 |
| Balance at end of year | <u>9,345</u> | <u>15,006</u> |

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Notes to the Financial Statements

for the year ended 31 December 2019

18. Contingent liabilities

As at year-end, the company had guarantees in favour of related parties amounting to € 3,990,555 (2018: € 3,990,555).

19. Risk management objectives and policies

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

The most significant financial risks to which the entity is exposed to are described below.

Credit risk

The entity's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 11 and 12.

The company continuously monitors defaults of customers and other counterparts, and incorporates 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 is secured by collateral or other credit enhancements.

Liquidity risk

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the entity's obligations when they become due.

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

| | Less than 6 months 2019 € | From 6 to 12 months 2019 € | From 1 to 5 years 2019 € | More than 5 years 2019 € | Less than 6 months 2018 € | From 6 to 12 months 2018 € | From 1 to 5 years 2018 € | More than 5 years 2018 € |
|-----------------|------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Bank borrowings | <u>77,208</u> | <u>77,208</u> | <u>396,392</u> | <u>353,449</u> | <u>77,208</u> | <u>77,208</u> | <u>483,991</u> | <u>492,133</u> |

Foreign currency risk

Most of the entity's transactions are carried out in Euro. Exposure to currency exchange rates arises from the entity's transactions in foreign currencies.

The entity's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

P & C LIMITED

Notes to the Financial Statements

for the year ended 31 December 2019

Interest rate risk

The entity's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the directors consider an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a movement is considered immaterial.

20. Related parties

The company had the following related party transactions.

| | 2019 | 2018 |
|--|----------------|-------------|
| | € | € |
| <i>Transactions with other related parties :</i> | | |
| Rent receivable | 49,464 | 70,074 |
| Management fee receivable | 23,060 | 32,670 |
| Acquisition of property | <u>763,043</u> | <u>-</u> |

21. Ultimate controlling party

The parent and ultimate parent company of P & C Limited is Endo Ventures Ltd, having its registered address at 10, Timber Wharf, Marsa MRS 1443, Malta. No individual controls the majority of voting rights of the company.

22. Post Balance Sheet events

Subsequent to year-end, the World Health Organisation declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. COVID-19 is having significant effects on global markets, supply chains, businesses, and communities. The directors are monitoring the situation and taking action to safeguard the interests of the company. To date the company is operating as normal. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

23. Capital management policies and procedures

The entity's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital. The entity monitors the level of debt, which includes borrowings and trade and other payables less cash and cash equivalents, against total capital on an ongoing basis.