

Company registration number: C 85987

Luxury Living Finance p.l.c.

**Annual Report
For the year ended 30 June 2020**

LUXURY LIVING FINANCE P.L.C.

Annual Report and Financial Statements For the year ended 30 June 2020

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General information

Registration

Luxury Living Finance p.l.c. is registered in Malta as a limited liability company under the Companies Act, 1995. The company's registration number is C 85987.

Board of Directors

Dr. Joseph Borg Bartolo

Mr. Jean Paul Busuttil

Mr. William Wait

Company Secretary

Mr. Mikiel Calleja

Registered office

Greentek Business Complex,

New Street in Triq il-Hofor

Qormi

MALTA

Bankers

BNF Bank plc

203, Level 2

Rue D'Argens

Gzira

MALTA

Auditors

RJV Audit Limited

193, Ursuline Sisters Street

Pieta', PTA 1222

MALTA

Directors' report
For the year ended 30 June 2020

The directors present their report together with the audited financial statements of the Company for the twelve months ended 30 June 2020.

Principal Activities

The Company's principal activity is to carry on the business of a finance company, principally by advancing capital raised to its parent company, when and as required.

The Company is essentially a special purpose vehicle set up for financing transactions of Luxury Living Technologies Limited. It raised such finance through an issue of bonds which is quoted on Prospects MTF and guaranteed by Luxury Living Technologies Limited, to whom proceeds from its issue has been advanced.

Performance Review

During the period under review, the COVID-19 pandemic affected businesses on a national and worldwide level. However, as the Company was set up to carry on the business of a finance company, the Company was not impacted by the pandemic. Despite this, its parent company was impacted, however, executive management took all the necessary actions to minimise the effects on its operations and performance.

During the period under review, the Company generated finance income amounting €415,800 (FY2019: €379,346) from loan advanced to parent company as well as €90,000 from a management recharge to the parent company (FY2019: €45,000). Interest expense on bonds amounted to €400,000 (FY2019: €366,667). The Company's profit for the period amounted to €55,471 (FY2019: €9,663).

The directors expect the present level of activity to be sustained in the foreseeable future.

Position Review

The Company's asset base amounted to €8,432,954 as at 30 June 2020 (2019: €8,378,955).

Non-current assets relate to loan receivable from parent company amounting to €7,918,521 as at 30 June 2020 (2019: €7,918,521).

The Company's main liabilities are made up of an €8,000,000 5% Secured Bonds redeemable in 2028.

Dividends and Reserves

The retained earnings of the Company at the end of the period amounted to €65,134. The directors do not recommend the distribution of a dividend and propose to transfer the profit for the year to reserves.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed on Note 7 to these financial statements.

Events Subsequent to the Statement of Financial Position Date

There are no particular important events affecting the Company which occurred since the end of the accounting period.

Directors' report
For the year ended 30 June 2020

Future Developments

The directors intend to continue to operate in line with the current business plan.

Directors

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

Dr Joseph Borg Bartolo (Non-Executive and Chairman)
Mr Jean Paul Busuttill (Executive)
Mr William Wait (Non-Executive)

The Board meets on a regular basis to discuss performance, position and other matters.

Statement of Directors' Responsibilities

The Maltese Companies Act, (Cap 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss of the Company for that period.

In preparing the 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 as going concern;
- select suitable accounting policies and apply them consistently;
- make judgment and estimates that are reasonable in the circumstances;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- ensure that financial statements have been drawn up in accordance with International Financial Reporting as adopted by the EU;

The directors are responsible for keeping proper accounting records which disclose reasonable accuracy, at any time, the financial position of the Company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Maltese Companies Act, (Cap 386). The directors are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, RJV Audit Limited, have expressed their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the annual general meeting.

Directors' report
For the year ended 30 June 2020

Additional disclosures
Going Concern

After making enquiries and taking into consideration future plans, including the potential impact on financial and operational performance following the COVID-19 outbreak as explained in Note 2 and 3, the directors have a reasonable expectation that the Company has adequate resources to continue in operating existence in the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparation financial statements.

Principal risks and uncertainties associated with the Company

The Company's main objective is that of a finance company. Given that the Company does not carry out any trading activities, it is economically dependent on the business prospects of Luxury Living Technologies Limited ('the parent'). As a result, the Company is dependent on the receipt of income from its parent in relation to Bond proceeds which it has advanced in the form of a loan. Consequently, the operations of the parent would directly affect the performance and position of the Company.

The parent is a company principally operating in eco and renewable energy solutions specialising in installations of photovoltaic units in a variety of domestic, industrial and agricultural locations as well as production and distribution of food and beverage products, with a view of operating a boutique hotel in the foreseeable future. Luxury Living Technologies Limited's operations were affected by the COVID-19 pandemic which reflected the general economic and consumer trends worldwide. The outbreak of the pandemic in early 2020 has caused disruption to business and economic activity.

Although Luxury Living Finance p.l.c. was not directly impacted by the pandemic since it is a finance company, the recoverability of amounts due from parent is dependant on the performance of the parent. The directors monitor closely the impact of events and the ability of the parent to honour its financial commitments. To this regard, the directors are of the view that the amount receivable from the parent by the Company is recoverable.

Share Capital Structure

The Company's authorised and issued share capital is €50,000 divided into 50,000 Ordinary Shares of €1 each.

The share capital consists of 49,999 Ordinary 'A' Shares and 1 Ordinary Share 'B'. Ordinary 'A' grant one voting right for every share held and are participating shares entitled received dividend distribution. Ordinary 'B' shares have no voting rights except for the purpose of participating in the appointment or election of directors. Ordinary 'B' share are not entitled to receive any divided distributions.

Holding in excess of 5% Share Capital

On the basis of information available to the Company, as at 30 June 2020, Luxury Living Technologies Limited held 49,999 shares in the Company which is equivalent to 99.999% shares of its total issued share capital.

There are no arrangements in place as at 30 June 2020, the operation of which may at a subsequent date in result in a change in control of the Company.

Directors' report
For the year ended 30 June 2020

Appointment and removal of directors

Appointment of directors shall be made at the Annual General Meeting of the Company.

The directors shall hold office for a period of one year and are eligible for re-election. An election of the directors shall take place every year at the Annual General Meeting of the Company.

Power of the Directors

The management and administration of the Company is vested in the Board of Directors. The powers of Board members are contained in the Company's Articles of Association. There are no provisions in the Company's Memorandum and Articles of Association regulating the retirement or non-retirement of directors over an age limit.

Directors' Interest

As at 30 June 2020, non-Executive directors have no beneficial interest in the share capital of the Company. The Executive Director has an indirect beneficial interest in the share capital of the Company through his shares in Bag Investments Co. Ltd. and Sansuna Estate Co. Ltd.

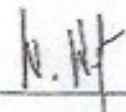
Contracts with Board Members and Employees

The Company does not have service contracts with any of its Board Members. All directors may be removed from their posts of director by ordinary resolution of the shareholders in a general meeting.

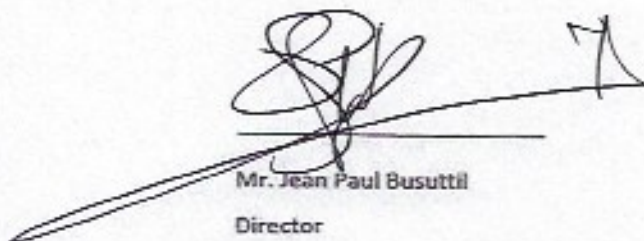
Material Contracts

The Company entered into a loan agreement with its parent Luxury Living Technologies Limited for the transfer of funds received from the Bond issue. Details of such contract is set out in Note 12 to the financial statements.

On behalf of the Board



Mr. William Wait
Director



Mr. Jean Paul Busuttill
Director

Registered Address:
Greentek Business Complex,
New Street in Triq il-Hofor,
Qormi

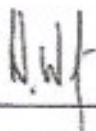
16 October 2020

Directors' report
For the year ended 30 June 2020


Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the board of directors on 16 October 2020 by:



Mr. William Wait
Director



Mr. Jean Paul Busuttill
Director

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

The Code adopted by the Company

The Prospects MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance ("the Code"), accompanied by a report of the independent auditor.

The Board of Directors (the "Board" or the "Directors") of Luxury Living Finance p.l.c (the "Company") acknowledge that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

The Company's structure is designed to meet the Company requirements and to ascertain that decision making is subject to the checks and balances where this is appropriate.

General

Good corporate governance is the responsibility of the Board as a whole, and has been and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company's size, nature and operations, and formulated the view that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations may not be appropriate for the Company. The limitations of size and scope of operations inevitably impact on the structures required to implement the Code, without however diluting the effectiveness thereof.

The Board considers that, to the extent otherwise disclosed herein, the Company has generally been in compliance with the Code throughout the year under review.

This Statement shall now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code for the year under review. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Board considers that these have been adhered to, and where it has not.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles.

Compliance with the code

The Directors believe that for the financial year under review the Company has generally complied with the requirements for each of the Code's main principles. Further information in this respect is provided hereunder.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Principle 1: The Company's Board of Directors

The Directors report that for the financial year under review, the Directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company with honesty, competence and integrity. The Board is composed of members who are fit and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company so as to protect the interests of the Bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the Prospects MTF Rules.

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities.

All directors are required to:

- exercise prudent and effective controls which enable risk to be assessed and managed to achieve continued prosperity to the company;
- be accountable for all actions or non-actions arising from discussion and actions taken by them or their delegates;
- determine the Company's strategic aims and the organisational structure;
- regularly review management performance and ensure that the Company has the appropriate mix of financial and human resources to meet its objectives and improve the economic and commercial prosperity of the company;
- acquire a broad knowledge of the Company;
- Be aware of and be conversant with the statutory and regulatory requirements connected to the business of the company;
- Allocate sufficient time to perform their responsibilities;
- Regularly attend meetings of the board.

Principle 2: The Company's Chairman and Chief Executive Officer

Due to the size of the Company and the nature of its operations, the Company does not employ a Chief Executive Officer ('CEO'). This function is undertaken by the Executive Director.

The day to day running of the business is vested with the Executive Director of the Company.

The Chairman exercises independent judgment and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Principle 3: Composition of the Board

The Board is responsible for the overall long-term strategy and general policies of the Company, of monitoring the Company's systems of control and financial reporting and communicating effectively with the market as and when necessary. As at 30 June 2020, the Board consists of one executive director and two non-executive directors as follows:

Dr Joseph Borg Bartolo	Non-Executive Director and Chairman
Mr Jean Paul Busuttil	Executive Director
Mr William Wait	Independent, Non-Executive Director

In accordance with the provisions of the Company's Articles of Association, the first directors are to serve until the end of the first annual general meeting during which the new directors shall be appointed. Thereafter, all directors shall hold office from the general meeting at which they are elected until the next annual general meeting. All retiring directors are eligible for re-election.

The independent non-executive Director

- a) Is not employed in any capacity with the Company;
- b) Does not have a significant business relationship with the Company;
- c) Did not receive significant additional remuneration from the Company;
- d) Does not have close family ties with any of the Company's executive Directors or senior employees;
- e) Has not served on the Board for more than twelve consecutive years; or
- f) Has not been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company

Each Director hereby declares that he undertakes to:

- a) to maintain in all circumstances his independence of analysis, decision and action;
- b) not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- c) to clearly express his/her opposition in the event that he finds that a decision of the Board may harm the Company

Each director is mindful of maintaining independence, professionalism and integrity in carrying out his duties, responsibilities and providing judgment as a director of the Company.

Corporate Governance – Statement of Compliance For the year ended 30 June 2020

Principle 4: The Responsibility of the Board

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue, and for monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

Systems and procedures are in place to control, monitor, report and assess risks and their financial implications. Management accounts, budgets, strategic plans and prepared on a regular basis and are presented to the Board to monitor the performance of the Company on an ongoing basis.

In terms of the Prospects MTF Rules, the board has established an Audit Committee to monitor the Company's present and future operations, threats and risks in the external environment and current and future strengths and weaknesses. The Audit Committee ensures that the Company has the appropriate policies and procedures in place to ensure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards. The Audit Committee has a direct link to the Board and is represented by the Chairman of the Audit Committee in all board meetings.

Principle 5: Board Meetings

Meetings of the Board are held as frequently as considered necessary. The board members are notified in advance of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense

During the financial year 8 meetings were held. The following Directors attended to Board meetings as follows:

Dr Joseph Borg Bartolo	Non-executive director and Chairman	8 meetings
Mr Jean Paul Busuttil	Executive Director	8 meetings
Mr William Wait	Independent, non-Executive Director	7 meetings

Principle 6: Information and Professional Development

Due to its size the Company does not employ any employees. However, as part of succession planning and employee retention of the Luxury Living Group (the Company and its parent Luxury Living Technologies Limited), the Board ensures that the Luxury Living Group implements appropriate schemes to recruit, retain and motivate the employees.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Principle 7: Evaluation of the Boards Performance

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

Principle 8: Committees**Principle 8A: Remuneration Committee**

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code, given that the remuneration of the Directors is not performance-related.

Pursuant to the Company's Articles of Association, the maximum aggregate emoluments that may be paid to directors are approved by the shareholder in a general meeting. Total remuneration of €15,000 was paid to directors during the year under review.

The remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

None of the directors is employed or has a service contract with the Company.

Principle 8B: Nomination Committee

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a nomination committee. Reference is also made to the information provided under the subheading 'Principle 3' above, which provides for a formal and transparent procedure for the appointment of new Directors to the Board.

Principle 9: Relations with Shareholders and with the Market

The Company publishes annual financial statements and when required company announcements. The Board feels these provide the market with adequate information about its activities.

Principle 10: Institutional Shareholders

The Directors are of the view that this Principle is not applicable to the Company since it doesn't have any institutional investors.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Principle 11: Conflict of interest

Mr. Jean Paul Busuttil is an Executive Director and has a direct beneficial interest in the share capital of the Company (through various companies), and as such is susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company. During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction (unless the Board finds no objection to the presence of such Director with conflict of interest).

Principle 12: Corporate Social Responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders and of the employees of the Company and the Luxury Living Group.

The Board is mindful of the environment and its responsibility within the community in which it operates. In carrying on its business the Company is fully aware and at the forefront to preserving the environment and continuously review its policies aimed at respecting the environment and encouraging social responsibility and accountability.

Audit Committees

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities: in dealing with issues of risk, control and governance; and review the financial reporting processes, financial policies and internal control structure. During the financial year under review, the Audit Committee met four times.

Although the Audit Committee is set up at the level of the Company its main tasks are also related to the activities of the Luxury Living Group.

The Board set formal rules of engagement and terms of reference of the Audit Committee that establish its composition, role and function, the parameter of its remit and the basis for the processes that it is required to comply with. The Audit Committee, is a sub-committee of the respective board it is directly responsible and accountable to the respective board. The Boards reserves the right to change the Committee's terms of reference from time to time.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Audit Committees (cont.)

Briefly, the Audit Committees are expected to deal with and advise the Board on:

- its monitoring responsibility over the financial reporting processes, financial policies, internal control structures and audit of the annual and consolidated financial statements;
- monitoring the performance of the entity borrowing funds (the Guarantor) from the Company;
- maintaining communications on such matters between the Board, management and the independent auditors;
- facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- preserving the Issuer's assets by understanding the Company's risk environment and determining how to deal with those risks.

The Audit Committee also has the role and function of considering and evaluating on an arm's length nature of proposed transactions to be entered into by the Company and a related party.

The Malta Stock Exchange reviewed the Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

Members of the Audit Committee:

The Audit Committee is presently composed of:

- Mr William Wait (Chairman of the Audit Committee)
- Dr Joseph Borg Bartolo
- Mr Jean Paul Busuttil

Mr William Wait and Dr Joseph Borg Bartolo act as non-executive members of the Committee. The Audit Committee is chaired by Mr. William Wait, whilst Dr Joseph Borg Bartolo and Mr Jean Paul Busuttil act as members. In compliance with the Prospects MTF Rules, Mr William Wait is an independent, non-executive director. The Company believes that the members of the Audit Committee have the necessary experiences, independence and standing to hold the office as members thereof.

As stipulated in the terms of reference of the Audit Committee, the Chairman shall have a casting vote in the case of deadlock.

The Directors believe that the current set-up is sufficient to enable the Company to fulfil the objective of the Prospect MTF Rules' terms of reference in this regard.

**Corporate Governance – Statement of Compliance
For the year ended 30 June 2020**

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Other key features of the system of internal control adopted by the Company in respect of its own internal control as well as the control of its subsidiaries and affiliates are as follows:

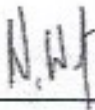
Risk identification:

The Board, with the assistance of the management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company and the Luxury Living Group are involved. These risks are assessed on a continual basis.

Information and communication:

Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board. In conclusion, the Board considers that the Company has generally been in compliance with the Principles throughout the period under review as befits a company of this size and nature. Non-compliance with the principles and the reasons therefor have been identified above.

Approved by the Board on 16 October 2020 and signed on its behalf by:



Mr. William Wait
Director



Mr. Jean Paul Busuttill
Director

Greentek Business Complex,
New Street in Triq il-Hofor
Qormi
MALTA



Independent auditors' report

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to the shareholders of Luxury Living Finance p.l.c.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Luxury Living Finance p.l.c., set out on pages 20 to 39 which comprise the statement of financial position as at 30 June 2020 and statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Luxury Living Finance p.l.c. as at 30 June 2020, 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 EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to these financial statements which states that due to the COVID-19 pandemic after year-end an uncertainty exists as to whether the Company's expectations will be reached. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.



Independent auditors' report (cont.)

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to the shareholders of Luxury Living Finance p.l.c.

Key Audit Matters (cont.)

Recoverability of group balances

Loan receivable include funds advances to parent company, who is also the guarantor of the bonds issued by the Company. This loan amounted to Eur7,918,521 as at 30 June 2020 and carried an agreed rate of interest of 5.25% per annum.

The recoverability of this loan is assessed at the end of each financial year.

This loan is the principle asset of the Company and as such it is considered to be material.

How the scope of our audit is responded to the risk

We have reviewed the loan agreement and agreed to the terms to the loan balance included in these financial statements. We reviewed that repayments are being made in line with this agreement. We have also assessed the financial soundness of the parent company by making reference to its latest audited financial statements.

Findings

We concur with management's view that the intercompany loan is recoverable.

We have no other key audit matters to report with respect to our audit of the Company's financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report. Our opinion on the financial statements does not cover this information, and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also consider whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

- The information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- The Directors' Report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we are required to report if I have identified material misstatements in the Directors' Report. We have nothing to report in this regard.



Independent auditors' report (cont.)

Page 17.

to the shareholders of Luxury Living Finance p.l.c.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have (if any) on the Company and the Group as well as the overall economy.



Independent auditors' report (cont.)

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to the shareholders of Luxury Living Finance p.l.c.

Auditors' Responsibilities for the Audit of the Financial Statements (cont.)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charges with governance, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Prospects MTF Rules issued by the Malta Stock Exchange require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Prospects MTF Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in this Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control include in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.



Independent auditors' report (cont.)

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to the shareholders of Luxury Living Finance p.l.c.

Report on Other Legal and Regulatory Requirements (cont.)

Report on the Statement of Compliance with the Principles of Good Corporate Governance(cont.)

In our opinion, the Statement of Compliance set out on pages 7 to 14 have been properly prepared in accordance with the requirements of the Prospect Rules issued by the Malta Stock Exchange.

Other matters on which we are required to report by exception

We also have responsibilities:


- under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:
 - We have not received all the information and explanations we require for our audit.
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed as auditors of the Company on 14 August 2020. Our re-appointment will be proposed at the next annual general meeting.

This copy of the audit report has been signed by



Raymond J Vella CPA
Director
RJV Audit Limited
16 October 2020

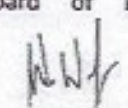
Statement of financial position
As at 30 June 2020

	Note	Jun 2020 Eur	Jun 2019 Eur
ASSETS			
Non-current assets			
Loan receivable	12	<u>7,918,521</u>	<u>7,918,521</u>
Current assets			
Other receivables	13	<u>113,298</u>	-
Cash and cash equivalents	17	<u>401,135</u>	<u>460,434</u>
		<u>514,433</u>	<u>460,434</u>
Total assets		<u>8,432,954</u>	<u>8,378,955</u>
EQUITY			
Capital and reserves			
Share capital	14	<u>50,000</u>	<u>50,000</u>
Retained earnings		<u>65,134</u>	<u>9,663</u>
		<u>115,134</u>	<u>59,663</u>
LIABILITIES			
Non-current liabilities			
Borrowings	15	<u>7,929,418</u>	<u>7,920,682</u>
Current liabilities			
Other payables	16	<u>383,199</u>	<u>393,407</u>
Income tax		<u>5,203</u>	<u>5,203</u>
		<u>388,402</u>	<u>398,610</u>
Total equity and liabilities		<u>8,432,954</u>	<u>8,378,955</u>

The accounting policies and explanatory notes on pages 24 to 39 form an integral part of these financial statements.

The financial statements have been approved by the Board of Directors on 16 October 2020 and signed on its behalf by:


Jean Paul Busuttil
Director


William Wait
Director

Statement of changes in equity
As at 30 June 2020

	Share capital Eur	Retained earnings Eur	Total Eur
For the period ended 30 June 2019			
Issued share capital	50,000	-	50,000
Profit for the financial period	-	9,663	9,663
At 30 June 2019	<u>50,000</u>	<u>9,663</u>	<u>59,663</u>
For the year ended 30 June 2020			
At 1 July 2019	50,000	9,663	59,663
Profit for the financial year	-	55,471	55,471
At 30 June 2020	<u>50,000</u>	<u>65,134</u>	<u>115,134</u>

The accounting policies and explanatory notes on pages 24 to 39 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 30 June 2020

	Note	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun 19 (14 months) Eur
Finance income	8	415,800	379,346
Finance costs	9	(400,000)	(366,667)
Net interest income		15,800	12,679
Administrative and other expenses		(50,329)	(42,813)
Other income		90,000	45,000
Profit before taxation	10	55,471	14,866
Income tax expense	11	-	(5,203)
Profit for the year/period		55,471	9,663
Total comprehensive income for the year/period		55,471	9,663
Earnings per share for the year/period attributable to shareholder		55,471	9,663
Earnings per share		1.11c	0.19c

The accounting policies and explanatory notes on pages 24 to 39 form an integral part of these financial statements.

Statement of cash flows
For the year ended 30 June 2020

	Note	Jun 2020 (12 months) Eur	Jun 2019 (14 months) Eur
Cash flows from operating activities:			
Profit before taxation		55,471	14,866
<u>Adjustments to reconcile profit before tax to net cash flows:</u>			
Amortisation of bond issue costs		8,736	8,057
Finance income	8	(415,800)	(379,346)
Finance costs	9	400,000	366,667
<u>Working capital adjustments:</u>			
Other payables	16	(10,208)	45,652
Cash generated from operations		38,199	55,896
Interest received		415,800	360,434
Interest paid		(400,000)	-
Net cash flows generated from operating activities		53,999	416,330
Net cash flows from investing activities:			
Issue of share capital		-	50,000
Net cash flows generated from investing activities		-	50,000
Net cash flows from financing activities:			
Loan advanced to parent company	13	(113,298)	(7,918,521)
Bonds proceeds		-	8,000,000
Issue costs		-	(87,375)
Net cash flows used in financing activities		(113,298)	(5,896)
Net (decrease)/increase in cash and cash equivalents		(59,299)	460,434
Cash and cash equivalents at beginning of year/period		460,434	-
Cash and cash equivalents at end of year/period	17	401,135	460,434

The accounting policies and explanatory notes on pages 24 to 39 form an integral part of these financial statements.

**Notes to the financial statements
For the year ended 30 June 2020**

1. Incorporation

The Company was incorporated on 25 April 2018. Consequently, the comparative figures in these financial statements cover the period from date of incorporation to 30 June 2019.

2. Subsequent event*Risk posed by COVID-19*

On March 2020, the World Health Organisation declared the outbreak of the coronavirus (COVID-19) a pandemic and most business entities around the globe became adversely effected and suffered significant economic difficulties and uncertainties. As a result, there is an uncertainty on whether the expectations of the Company will be reached.

3. Going concern

The company's principal activity is to act as a finance company. The Company in itself does not have substantial assets and is a special purpose vehicle set to raise finance for the business of Luxury Living Group. The parent company, Luxury Living Technologies Limited was set up as a company to provide eco and renewable energy solutions which is expected to generate income from the sale of domestic photovoltaic panels and feed-in-tariffs from the installation of photovoltaic farms. As from 2021, Luxury Living Technologies Limited shall expand its operations through the operation of an 80-bed boutique hotel, which is currently in development.

In preparing these financial statements, the Board of directors of the Company made reference to the anticipated revenue streams which are expected to be generated over the years from the continued sale of photovoltaic panels, further connection of photovoltaic farms which in turn shall generate monthly feed-in-tariffs and the operation of the St. Julian's boutique hotel.

Despite the fact that Luxury Living Technologies Limited generated a loss for the year ended 30 June 2020, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

4. Corporate information

The financial statements of Luxury Living Finance p.l.c. (the Company) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 16 October 2020. The Company is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta with its registered office at Greentek Business Complex, New Street in Triq il-Hofor, Qormi, Malta. The company's registration number is C 85987.

**Notes to the financial statements
For the year ended 30 June 2020**

5. Basis of preparation**Statement of compliance**

These financial statements of Luxury Living Finance p.l.c. ("the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU and issued by the International Accounting Standards Board and comply with the Companies Act (Cap.386) of the Laws of Malta.

Basis of measurement

These financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values 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 year in which the estimate is revised if the revision affects both current and future years.

Functional and presentation currency

The financial statements are presented in euro (EUR) which is the company's functional and presentation currency.

6. Summary of significant accounting policies**Current versus non-current classification**

The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting year, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the company commits to purchase or sell the asset.

The company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in statement of comprehensive income.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Financial instruments – initial recognition and subsequent measurement (cont.)

i) Financial assets (cont.)

Financial assets at fair value through profit or loss (cont.)

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The company has not designated any financial assets at fair value through profit or loss.

The company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Financial instruments – initial recognition and subsequent measurement (cont.)

i) Financial assets(cont.)

Derecognition (cont.)

• The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

ii) Impairment of financial assets

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Financial instruments – initial recognition and subsequent measurement (cont.)

ii) Impairment of financial assets

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Financial instruments – initial recognition and subsequent measurement (cont.)

iii) Financial liabilities

Initial recognition and measurement (cont.)

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into, that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Financial instruments – initial recognition and subsequent measurement (cont.)

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

Other receivables

Other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Cash and cash equivalents

Cash in hand and at banks and short-term deposits which are held to maturity are carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks.

Other payables

Liabilities for other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Revenue

Interest and other income

Interest and other income are recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis.

Use of estimates and judgements

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the year the changes become known.

In the opinion of the management, the accounting estimates, assumptions 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 IAS 1 (revised) 'Presentation of financial statements'.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Notes to the financial statements
For the year ended 30 June 2020

6. Summary of significant accounting policies (cont.)

Taxes (cont.)

Deferred tax

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

7. Financial Risk Management

At the end of the period, the Company's main financial assets comprised loan receivable from parent company and cash held at bank. At the period end the Company's main financial liabilities consisted of borrowings and other payables.

The Company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from, and guaranteed by, Luxury Living Technologies Limited (parent company).

The Company's principle risk exposures related to credit risk and liquidity risk. The Company is not exposed to currency risk and the directors consider interest rate risk exposure to be minimal due to matching of interest costs on borrowings with finance income from its loans and receivables.

Timing of cash flows

The presentation of the above-mentioned financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

Credit Risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of loan receivables from parent company and cash and cash equivalents (notes 12 and 17), the carrying amount of financial assets represents the maximum credit exposure.

The Company's cash at bank is placed with quality financial institutions. The Company's receivables consist mainly of loan receivables from parent and accordingly credit risk in this respect is limited.

Notes to the financial statements
For the year ended 30 June 2020

7. Financial Risk Management (cont.)

Liquidity Risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and other payables (refer to Notes 15 and 16). The Company is exposed to liquidity risk arising from its ability to satisfy liability commitments depending on cash inflows receivable in turn from Luxury Living Technologies Limited.

Management monitors liquidity risk by means of cash flows forecasts on the basis of expected cash flows over a twelve-month period to ensure that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the parent company where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates in the respective notes to the financial statements.

Capital Management

The Company's bonds are guaranteed by Luxury Living Technologies Limited (the parent). Related finance costs are also guaranteed by the parent company. The capital management of the Company therefore consists of a process of regularly monitoring the financial positions of the guarantor.

Fair Values of Financial Instruments

At 30 June 2020, the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Company or similar financial instruments.

As at end of the reporting period, the fair values of financial assets and liabilities, approximated the carrying amounts shown in the statement of financial position.

8. Finance Income

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun19 (14 months) Eur
Interest receivable on long-term loan due from parent company	415,800	379,346

Notes to the financial statements
For the year ended 30 June 2020

9. Finance costs

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun19 (14 months) Eur
Interest payable on bonds	400,000	366,667
Amortisation of bond issue costs	8,736	8,057
	<u>408,736</u>	<u>374,724</u>

10. Profit before taxation

This is stated after charging the following:

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun19 (14 months) Eur
Annual statutory audit fees	1,800	1,500
Directors' remuneration	15,000	15,000
	<u>16,800</u>	<u>16,500</u>

11. Income tax

Income tax recognised in statement of comprehensive income:

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun19 (14 months) Eur
Current tax expense	-	5,203
	<u>-</u>	<u>5,203</u>

Notes to the financial statements
For the year ended 30 June 2020

11. Income tax (cont.)

The tax charge and the result of accounting profit multiplied by statutory income tax rate are reconciled as follows:

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 30 Jun19 (14 months) Eur
Profit before taxation	<u>55,471</u>	<u>14,866</u>
Tax at the applicable statutory rate of 35%	19,415	5,203
Tax effect for:		
Group losses surrendered	<u>(19,415)</u>	<u>-</u>
Tax charge	<u>-</u>	<u>5,203</u>

12. Loan receivable

	30 Jun 20 Eur	30 Jun 19 Eur
Non-current		
Loan receivable from parent company (note)	<u>7,918,521</u>	<u>7,918,521</u>

Note: The loan receivable relates to the transfer of funds to parent company, generated by the Company from the issue of bonds. The loan is unsecured, carries interest at 5.25% per annum (2019: 5.25% per annum) and is repayable in full by not later than 30 June 2028.

At 30 June 2020, this financial asset was fully performing and hence does not contain impaired assets.

	30 Jun 20 Eur	30 Jun 19 Eur
Maturity of loans and receivables		
Within 2 and 5 years	1,500,000	750,000
Over 5 years	<u>6,418,521</u>	<u>7,168,521</u>
	<u>7,918,521</u>	<u>7,918,521</u>

Notes to the financial statements
For the year ended 30 June 2020

13. Other receivables		
	30 Jun 20	30 Jun 19
	Eur	Eur
Due from parent company	<u>113,298</u>	<u>-</u>
14. Share capital		
	30 Jun 20	30 Jun 19
	Eur	Eur
Authorised, issued and fully paid up:		
49,999 Ordinary 'A' shares of Eur1 each	49,999	49,999
1 Ordinary 'B' shares of Eur1 each	<u>1</u>	<u>1</u>
	<u>50,000</u>	<u>50,000</u>
15. Borrowings		
	30 Jun 20	30 Jun 19
	Eur	Eur
Non-current		
Bonds outstanding (face value)	<u>8,000,000</u>	<u>8,000,000</u>
8,000,000 5% Secured Bonds 2020 (opening)	7,920,682	7,912,624
Amortisation charge for the year	<u>8,736</u>	<u>8,058</u>
8,000,000 5% Secured Bonds 2020 (closing)	<u>7,929,418</u>	<u>7,920,682</u>
	30 Jun 20	30 Jun 19
	Eur	Eur
Gross amount of bond issue costs	(87,375)	(87,375)
Amortisation brought forward	8,058	-
Amortisation charge for the year	<u>8,736</u>	<u>8,058</u>
Unamortised bond issue costs	<u>(70,581)</u>	<u>(79,318)</u>

Notes to the financial statements
For the year ended 30 June 2020

15. Borrowings (cont.)

Interest on the 5% Secured Bonds 2028 is payable annually in arrears, on 29 July of each year.

The Secured Bonds shall constitute the general, direct and unconditional obligations of the Issuer, and shall at all times rank *pari passu*, without any priority or preference among themselves. The Secured Bonds shall be guaranteed in respect of both the interest and the principal amount due under said Secured Bonds by the Guarantor in terms of the Guarantee. The Secured Bonds shall rank with priority in relation to the Pledged Shares.

Pursuant to the Pledge Agreement, the Pledgor has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as Beneficiaries, a pledge over the shares held in Luxury Living Technologies Limited.

The Pledge will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the principal and interest under the Secured Bonds.

16. Other payables

	30 Jun 20 Eur	30 Jun 19 Eur
Accrued expenses	383,199	372,687
Amounts due to parent company	-	20,720
	<u>383,199</u>	<u>393,407</u>

17. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

	30 Jun 20 Eur	30 Jun 19 Eur
Cash at bank	<u>401,135</u>	<u>460,434</u>

18. Related party balances and transactions

Identity of related parties

The company has a related party relationship with its parent company, key management personnel (the directors) and all other companies up to the ultimate beneficial owner.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received.

Notes to the financial statements
For the year ended 30 June 2020

18. Related party balances and transactions (cont.)

Identity of related parties (cont.)

Information on amounts due from/to related parties are set out in note 12,13 and 16 respectively to these financial statements.

All transactions with related parties were made on an arm's length basis.

Related party transactions

The following transactions were conducted with the related parties during the year/period:

	30 Jun 20	30 Jun 19
	Eur	Eur
Net funds advanced to parent company	134,018	-
Gross income earned from parent company	415,800	379,346
Management fee	90,000	45,000
Director's fees	15,000	15,000

19. Earnings per share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the year.

	30 Jun 20	30 Jun 19
	Eur	Eur
Net profitable attributable to owners of the company	55,471	9,663
Weighted average number of ordinary shares in issue (note 14)	50,000	50,000
Earnings per share	1.11c	0.19c

20. Events after the end of the reporting period

Other than what is stated in note 2 to these financial statements, no adjustment or significant non-adjustment events have occurred between the reporting date and the date of authorization for issue of these financial statements.

21. Proprietors

The company is owned by Luxury Living Technologies Limited (C 74593), a company having its registered office at Greentek Business Complex, New Street in Triq il-Hofor, Qormi, Malta, which is ultimately owned by Mr. Jean Paul Busuttil.

Administrative and other expenses
For the year ended 30 June 2020

	1 Jul 19 to 30 Jun 20 (12 months) Eur	25 Apr 18 to 31 Jun 19 (14 months) Eur
Administrative and other expenses		
Amortisation	8,736	8,057
Audit fee	1,800	1,500
Bank charges	45	78
Director's fees	15,000	15,000
Fines and penalties	-	14
General expenses	1,066	-
Malta stock exchange and other charges	9,678	10,494
Professional fees	13,210	7,670
Registration fee	700	-
Subscriptions	94	-
	<u>50,329</u>	<u>42,813</u>