Company registration number: C 74593

Luxury Living Technologies Limited

Consolidated Financial Statements
For the year ended 30 June 2020

LUXURY LIVING TECHNOLOGIES LIMITED

Consolidated Financial Statements
For the year ended 30 June 2020

General information

Registration
Luxury Living Technologies Limited is registered in Malta as a limited liability company under the Companies Act, 1995. The company's registration number is C 74593.

Board of Directors
Mr. Carlo Mifsud
Mr. Jean Paul Busuttil
Mr. William Wait
Mr. David Melillo (appointed on 1 November 2020)

Company Secretary
Mr. Mikiel Calleja

Registered office
Greentek Business Complex,
New Street in Triq il-Hofor
Qormi
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 the annual report together with the audited financial statements of the Company and the Group for the year ended 30 June 2020.

Principal Activities
Luxury Living Technologies Limited was incorporated on 1 March 2016 as a private limited liability. The principal objects of the Company relate to providing eco and renewable energy solutions, specialising in installations of photovoltaic units in a variety of domestic, industrial and agricultural locations. The Company's operations comprise the trading, importing and exporting, installing and maintaining of all kinds of merchandise related to renewable energy, especially water softening and purifying systems, solar panels and solar powered devices and similar related products in domestic, industrial and agricultural locations.

Performance Review
During the year under review the Company's objectives remained focused on providing eco and renewable energy solutions to retail customers as well expand its operations into photovoltaic farms. To this end, by 30 June 2020 had installed and connected a further three photovoltaic farms. Although the Company had planned to energise these photovoltaic farms earlier, due to logistical issues encountered, the Company took longer than expected to connect these photovoltaic farms. The outbreak of COVID-19 impacted principally the residential sales, as between March and June 2020, residential visits were limited due to lockdown and closure of non-essential businesses. As a result, sales declined in the last quarter of FY2020.

Although development of the hostel situated in St. Julian's progressed significantly during the year, Management halted works following the outbreak of COVID-19. As tourist levels declined significantly post year end, as at the date of this report, the hostel remains closed. Management expects to inaugurate the hostel once tourism levels pick up.

Notwithstanding the effects of the pandemic, the Company generated a turnover of €1.0 million during the year under review, an increase of €0.4 million over the previous year. This is due to an increase in feed-in-tariff, as more photovoltaic farms were energised during the year, as well as an increase in commercial and residential sales. At the end, the Company generated a gross profit margin of 43%, a decrease of 17 percentage points over 2019.

Administrative expenses for the Group increased from €543k in FY2018 to €754k in FY2019 and from €545k in 2018 to €792k in 2019 for the Company, in order to support the Group's growth in revenue as well as the expected growth going forward. This increase in administrative expenses is principally due to the introduction of additional staff members, insurance expenses, motor vehicle expenses, ongoing bond issue costs and higher depreciation costs on the property, plant and equipment.

Consequently, the Group registered a loss for the year of €546k before tax.

Outlook for 2021
The principal objective for Luxury Living Group is to strengthen and expand its core business by investing in photovoltaic farms. The regulator, REWS, has recently changed the process of applying for such licenses in that it has now split the allocation the allocation of FiT for solar farms under 400kWp and those between 400kWp and 1 MW. Allocation of FiT for the latter is done through an ITB (invitation to bid) issued through the relevant Ministry responsible for the Energy sector. The last one issued was in May 2020. Another ITB was issued for installation over 1MW. This was also issued in May 2020 for which the Company submitted two separate offers.

Directors' report
For the year ended 30 June 2020

Outlook for 2021 (cont.)
The tender has not been awarded yet, but the price submitted by the Company are amongst the cheapest and therefore we expect to be awarded a quota for both bids which amount to 44MW. One will be a commercial sale, for 2.8MW whilst the other is an own installation.

The Company will also diversify its operations into the tourism industry. The construction phase of the hostel in San Giljan has been completed whilst the conversion and finishing touches are nearing its end. It is expected that all works are completed by end of March 2021 and the hostel can be ready to be in full operation by summer. This is all subject to the restrictions imposed and the longer term effect by the COVID-19 pandemic.

It is for this reason that the Luxury Living Group's principal strategic ambition is to provide a successful and sustainable business model, by building on Malta's commitment to reach 10% of its gross final energy consumption from renewable energy sources.

The Company had acquired in July 2019 the going concern of a manufacturing plant that produced freshly made smoothies. It is the Company's target to extend its product range and enter other markets other than the domestic through mainly supermarkets and convenience shops. With the onset of COVID-19, with the closure of many outlets which stocked these products, sales performance had decreased but it is expected that, with the opening of new markets, diversification into new products and with the economy in general taking an upward turn, sales will increase over the next months. The Company has also been over the last months exploring the possibility of exporting these products to other markets. It is expected that by end of 2021 the Company would have managed to open a new market for its products.

Dividends and Reserves
The results for the year are set in the Consolidated Statement of Comprehensive Income on page 9.

The Board of Directors does not propose the payment of a dividend. Retained losses carried forward at the reporting date amounted to €403k.

Registration
Luxury Living Technologies Limited is registered in Malta as a limited liability company under the Companies Act. (Cap. 386) with registration number C 74593.

Board of Directors
Mr. Carlo Mifsud
Mr. Jean Paul Busuttil
Mr. William Wait
Mr. David Melillo (appointed on 1 November 2020)

Statement of Directors' Responsibilities
Company law 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.

-

Directors' report
For the year ended 30 June 2020

Statement of Directors' Responsibilities (cont.)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Companies Act (Cap.386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, RIV 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.

Approved by the Board and signed by:

Mr. Carlo Mifsud
Director

Mr. Jean Paul Busuttil
Director

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

23 Decemebr 2020

Raymond J. Vella B.A. (Hons) Accty., FIA., CPA
Certified Public Accountant - Managing Director

RJV Audit Limited

Audit | Assurance Services

193, Ursuline Sisters Street,
Pietà PTA 1222
Malta

t [+356] 2123 1886
m [+356] 7723 1886
m [+356] 9942 6758
e ray@rjvella.com
w www.rjvella.com

Independent auditors' report

to the shareholders of Luxury Living Technologies Limited

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Luxury Living Technologies Limited, set out on pages 9 to 39 which comprise the statement of financial position as at 30 June 2020 and statement of changes in equity, statement of profit lor loss and other 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 Technologies Limited 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 1 to these financial statements regarding the potential impact of the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 30 June 2019 were audited by another auditor, who issued an unmodified opinion on 30 October 2019.

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.

RJV Audit Limited
Audit | Assurance Services

to the shareholders of Luxury Living Technologies Limited

Other Information (cont.)

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 in 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.

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.

to the shareholders of Luxury Living Technologies Limited

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

- 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.
- 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.

RJV Audit Limited

Audit Assurance Services

to the shareholders of Luxury Living Technologies Limited

Report on Other Legal and Regulatory Requirements (cont.)

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.

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

23 December 2020

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	The Group 2020 EUR	The Group 2019 EUR	The Company 2020 EUR	The Company 2019 EUR
Revenue	5	1,047,237	680,057	1,047,237	680,057
Cost of sales		(595,367)	(273,251)	(595,367)	(273,251)
Gross profit		451,870	406,806	451,870	406,806
Administrative expenses		(753,976)	(543,477)	(792,747)	(545,664)
Operating loss		(302,106)	(136,671)	(340,877)	(138,858)
Provision for impairment on goodwill		(875)	-	-	-
Other income		2,727	-	2,727	-
Interest receivable		16	-	16	-
Interest expense	6	(245,933)	(140,603)	(261,733)	(144,979)
Loss before taxation	6	(546,171)	(277,274)	(599,867)	(283,837)
Income tax credit	8	268,352	153,994	268,352	156,291
Loss for the year		(277,819)	(123,280)	(331,515)	(127,546)
Attributable to:					
Equity holders of the parent		(277,819)	(123,280)	(331,515)	(127,546)
Non-controlling interests		-	-	-	-
		(277,819)	(123,280)	(331,515)	(127,546)

The accounting policies and explanatory notes on pages 14 to 39 form an integral part of these financial statements.

Statement of financial position
As at 30 June 2020

	Note	The Group 2020 EUR	The Group 2019 EUR	The Company 2020 EUR	The Company 2019 EUR
ASSETS					
Non-current assets					
Investment in subsidiaries	9	-	-	51,200	50,000
Intangible assets	10	3,134,600	2,831,000	3,134,600	2,831,000
Plant and equipment	11	4,306,988	2,189,283	4,306,988	2,189,283
Deferred tax asset	14	424,645	151,088	424,645	156,291
Trade and other receivables	13	1,648,968	2,123,188	1,648,968	2,123,188
		9,515,201	7,294,559	9,566,401	7,349,762
Current assets					
Inventories	12	2,733,778	2,413,777	2,733,778	2,422,080
Trade and other receivables	13	1,446,419	1,799,182	1,446,419	1,819,902
Cash and cash equivalents	18	503,714	3,163,771	101,379	2,703,337
		4,683,911	7,376,730	4,281,576	6,945,319
Total assets		14,199,112	14,671,289	13,847,977	14,295,081
EQUITY AND LIABILITIES					
Equity					
Share capital	15	2,931,000	2,931,000	2,931,000	2,931,000
Retained earnings		(402,593)	(124,774)	(457,649)	(126,134)
Total equity		2,528,407	2,806,226	2,473,351	2,804,866
Liabilities					
Non-current liabilities					
Borrowings	16	8,420,480	8,808,339	8,409,583	8,943,050
Current liabilities					
Borrowings	16	968,269	524,392	1,081,567	387,520
Trade and other payables	17	2,275,035	2,530,614	1,881,758	2,157,927
Current tax liabilities		6,921	1,718	1,718	1,718
		3,250,225	3,056,724	2,965,043	2,547,165
Total equity and liabilities		14,199,112	14,671,289	13,847,977	14,295,081

The consolidated financial statements set on pages 14 to 39 were approved an authorised for issue by the Board of Directors on 23 December 2020 and signed on its behalf:

Jean Paul Busuttil
Director

Carlo Mifsud
Director

Statement of changes in equity
For the year ended 30 June 2020

The Group	Share capital Eur	Retained earnings Eur	Total Eur
Balance at 1 July 2018	2,931,000	(1,494)	2,929,506
Loss for the year	-	(123,280)	(123,280)
Total comprehensive income for the year	2,931,000	(124,774)	2,806,226
Balance as at 30 June 2019	**2,931,000**	**(124,774)**	**2,806,226**
Balance at 1 July 2019	2,931,000	(124,774)	2,806,226
Loss for the year	-	(277,819)	(277,819)
Total comprehensive income for the year	2,931,000	(402,593)	2,528,407
Balance as at 30 June 2020	**2,931,000**	**(402,593)**	**2,528,407**

The accounting policies and explanatory notes on pages 14 to 39 form an integral part of these financial statements.

Statement of changes in equity (continued)
For the year ended 30 June 2020

The Company	Share capital Eur	Retained earnings Eur	Total Eur
Balance at 1 July 2018	2,931,000	1,412	2,932,412
Loss for the year	-	(127,546)	(127,546)
Total comprehensive income for the year	2,931,000	(126,134)	2,804,866
Balance as at 30 June 2019	**2,931,000**	**(126,134)**	**2,804,866**
Balance at 1 July 2019	2,931,000	(126,134)	2,804,866
Loss for the year	-	(331,515)	(331,515)
Total comprehensive income for the year	2,931,000	(457,649)	2,473,351
Balance as at 30 June 2020	**2,931,000**	**(457,649)**	**2,473,351**

The accounting policies and explanatory notes on pages 14 to 39 form an integral part of these financial statements.

Statement of cash flows
For the year ended 30 June 2020

	Note	The Group 2020 EUR	The Group 2019 EUR	The Company 2020 EUR	The Company 2019 EUR
Cash flows from operating activities					
Loss for the year before taxation	5	(546,171)	(277,274)	(599,867)	(283,837)
Adjustment for:					
Depreciation and amortization		229,219	103,962	218,322	95,905
Prior year adjustment		-	(492)	-	(492)
Net interest expense		399,984	140,603	451,784	144,979
		83,032	(33,201)	70,239	(43,445)
Working capital changes					
Change in inventories		(320,001)	(1,830,417)	(311,698)	(1,838,722)
Change in trade and other receivables		825,600	(2,090,726)	846,322	(2,111,446)
Change in trade and other payables		(255,579)	1,910,509	(276,171)	1,533,448
Cash generated used in operating		333,052	(2,043,835)	328,692	(2,460,165)
Net interest paid		(399,984)	(53,099)	(451,784)	(53,099)
Net cash used in operating activities		(66,932)	(2,096,934)	(123,092)	(2,513,264)
Cash from investing activities					
Investment in subsidiary		-	-	(1,200)	(50,000)
Acquisition of intangible assets		(303,600)	-	(303,600)	-
Acquisition of property, plant and equipment		(2,336,027)	(2,229,467)	(2,336,027)	(2,229,467)
Net cash used in investing activities		(2,639,627)	(2,229,467)	(2,640,827)	(2,279,467)
Cash from financing activities					
Bond proceeds		-	8,000,000		-
Issue of bonds		-	(87,375)	-	-
Loan due to subsidiary		-	-	-	7,918,521
Amounts advanced by subsidiary		-	-	113,298	-
Amounts advanced by shareholders		85,118	-	85,118	-
Movement in bank loan		7,997	(339,484)	10,158	(339,484)
Net cash generated from financing activities		93,115	7,573,141	208,574	7,579,037
Movement in cash and cash equivalents		(2,613,444)	3,246,740	(2,555,345)	2,786,306
Cash and cash equivalents at beginning of year		2,776,251	(470,489)	2,315,817	(470,489)
Cash and cash equivalents at end of year	18	162,807	2,776,251	(239,528)	2,315,817

The accounting policies and explanatory notes on pages 14 to 39 form an integral part of these financial statements.

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

1. **Going concern**

Risk posed by COVID-19

In view of the Covid-19 outbreak, the directors of the Group have taken into consideration the potential impact, which is being monitored on an ongoing basis, that the worldwide pandemic shall have on the Group. The directors are committed to take all the necessary measures in order to reduce to a minimum the impace of such outbreak on the Group.

Following their assessment, the directors believe that it remains appropriate to prepare financial statements on the going concern basis.

2. **Corporate information**

The consolidated financial statements of Luxury Living Technologies Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution approved by the directors on 23 December 2020. Luxury Living Technologies Limited is registered in Malta as a limited liability company under the Companies Act, 1995, with its registered office at Greentek Business Complex, New Street in Triq il-Hofor, Qormi, Malta.

3. **Significant accounting policies**

3.1 **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's and the Group's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believe to be reasonable under the circumstances. The consolidated financial statements are presented in Euro (€), which is the functional currency of the Group.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

3.2 **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. Significant accounting policies (cont.)

3.2 Basis of Consolidation (cont.)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

3.3 New and revised standards that are effective for the current period

Implementation of IFRS 16
In the current year, the entity applied IFRS 16, 'Leases' that is effective for periods that begin on or after 1 January 2019. IFRS 16, 'Leases' introduces 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 to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations.

The application of IFRS 16 had no material impact on the entity's financial statements.

3.3.1 New and revised standards that are issued but not yet effective

a) 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.

3. Summary of significant accounting policies (cont.)

3.3 New and revised standards that are effective for the current period (cont.)

3.3.1 *New and revised standards that are issued but not yet effective (cont.)*

b) 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.

c) 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 director does not expect that the adoption of the amended Standards will have a material impact on the financial statements of the group and the company.

At this stage the company is still in process of assessing and evaluating the impact of IFRS 16.

3.4 Current versus non-current classification
The Group 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.

3. Summary of significant accounting policies (cont.)

3.4 Current versus non-current classification (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 Group classifies all other liabilities as non-current.

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

3.5 Property, plant & equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When a revaluation surplus is recorded in OCI, it is credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

3. Summary of significant accounting policies (cont.)

3.5 Property, plant & equipment (cont.)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

PV farms	5% per annum
Motor vehicles	20% per annum
Furniture & fittings	10% per annum
Other equipment	10% per annum
Computer equipment	25% per annum

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.6 Intangible assets

3.6.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a proportionate basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.6.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use of disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. Summary of significant accounting policies (cont.)

3.7 Impairment

Property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, then the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value, and mainly includes photovoltaic farms which are in the course of construction. Consequently, costs include material, labour, borrowing costs and any other costs directly attributable to the photovoltaic farms. Once photovoltaic farms are connected to the grid, these are transferred from inventory to property, plant and equipment.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Summary of significant accounting policies (cont.)

3.9 Investment in subsidiary

A subsidiary is an entity that is controlled by the company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment in subsidiaries is stated at cost less any impairment loss which may have arisen. Income from the investment is recognised only to the extent of distributions received from the Company from post-acquisition profits. Distributions received in excess of such profits are regarded as recovery of investment and are recognised as a reduction of the cost of investment.

3.10 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 IFRS 9.

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 profit or loss and other comprehensive income.

3. Summary of significant accounting policies (cont.)

3.10 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 IFRS 9 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 though profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss and other 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.
• 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.

3. Summary of significant accounting policies (cont.)

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

Derecognition (cont.)

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.

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.

3. Summary of significant accounting policies (cont.)

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

ii) Impairment of financial assets (cont.)

Financial assets carried at amortised cost (cont.)

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 profit or loss and other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 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.

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

3. Summary of significant accounting policies (cont.)

3.10 Financial instruments – Initial recognition and subsequent measurement (cont.)

iii) Financial liabilities (cont.)

Financial liabilities 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 IFRS 9. 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 profit or loss and other 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 IFRS 9 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.

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.

3. Summary of significant accounting policies (cont.)

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.

3.11 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.

3.12 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.

3.13 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 consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Revenue

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably.

3. Summary of significant accounting policies (cont.)

3.15 Revenue (cont.)

The following specific recognition criteria must also be met before revenue is recognised:
The Group is in the business of selling, providing maintenance and installation of photovoltaic panels and water softening and purifying systems and related ancillary products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, which generally coincides with the date of the invoice. In case of commercial sales, the Group considers whether there are other premises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Rendering of services
Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. Revenue from the provision of maintenance support services is recognised in proportion to the stage of completion of the transaction at the balance sheet date.

Warranty obligations
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

3. Summary of significant accounting policies (cont.)

3.15 Revenue (cont.)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Provision of services

Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to the completion of the specific transaction assessed based on the actual service provided as a proportion of the total services to be provided.

Interest and investment income

Interest income is accounted for when it is probable that the economic benefits associated with the transaction will flow to the Group and these can be measured reliably.

Dividend income

Dividend income is recognised on the date the Group's right to receive income is established.

3.16 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'.

3.17 Provisions

Provisions are recognised when the Group 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 Group 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.

3. Summary of significant accounting policies (cont.)

3.17 Provisions (cont.)

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.

3.18 Foreign currencies

Translations denominated in foreign currencies are translated at the exchange rate ruling on the date of the transactions. Monetary receivables and payables denominated in foreign currencies are translated at the rates of exchange prevailing at each reporting date. Translation differences are dealt within the statement of comprehensive income.

3.19 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.

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.

3.20 Dividends

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

3.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property, are capitalised as part of its cost. Borrowing costs are capitalized while acquisition or construction is actively underway, during the period of time that is required to compete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed.

4. Judgement in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosures 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 in the period the changes become known.

In the opinion of the management, except for the above, 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 significant in terms of the requirements of IAS 1 (revised) – 'Presentation of Financial Statements'.

5. Revenue

	The Group		The Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Revenue from sale of equipment	**383,201**	508,887	**383,201**	508,887
Revenue from feed-in-tariffs	**467,207**	171,170	**467,207**	171,170
Revenue from sale of good	**150,060**	-	**150,060**	-
Revenue from services rendered	**46,769**	-	**46,769**	-
Total revenue	**1,047,237**	680,057	**1,047,237**	680,057

6. Loss before taxation

The loss before tax has been arrived at after deducting the following expenses:

	The Group		The Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Depreciation	**218,322**	103.962	**218,322**	95.905
Audit fee	**7,600**	5,128	**5,000**	3,628
Directors' remuneration (note 7)	**147,069**	77,629	**132,069**	62,629

Finance cost

	The Group		The Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Interest on loan from subsidiary (note)	**-**	-	**209,263**	91,880
Interest on bond borrowings	**193,463**	87,504	**-**	-
Interest on bank loan	**52,470**	53,099	**52,470**	53,099
	245,933	140,603	**261,733**	144,979

Note: The interest on loan from subsidiary excludes the interest which is directly attributable to the photovoltaic farms which is included as part of the Company's inventories.

7. Staff costs and employee information

Staff costs for the year comprised of the following:

	The Group		The Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Wages and salaries	**257,846**	183,481	**257,846**	183,481
Directors' remuneration	**147,069**	77,629	**132,069**	62,629
Social security contributions	**117,275**	74,657	**117,275**	74,657
	522,190	335,767	**507,190**	320,767

7. Staff costs and employee information (cont.)

The average number of persons (including directors) employed by the Company during the year was as follows:

	The Group	
	2020	2019
	Eur	Eur
Operational	**18**	5
Administration	**4**	6
	22	11

8. Income tax

8.1 Amounts recognised in profit and loss

	The Group		The Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Current tax expense	**(2)**	-	**(2)**	-
Deferred tax adjustment	**268,354**	153,994	**268,354**	156,291
	268,352	153,994	**268,352**	156,291

8.2 The tax expense for the year can be reconciled to the results of the income statements as follows:

	The Group		The Company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Profit/(loss) before taxation for the year	**(752,708)**	(277,274)	**(599,867)**	(283,837)
Income tax credit	**268,352**	153,994	**268,352**	156,291
Loss after tax from continued operations	**(484,356)**	(123,280)	**(331,515)**	(127,546)
Tax at the applicable rate of 35%	**263,448**	97,046	**209,953**	99,343
Tax effect of:				
Difference between depreciation and allowances	**176,482**	(36,386)	**176,482**	(33,566)
Disallowed expenses	**(3,742)**	-	**(378)**	-
Unabsorbed capital allowances and tax losses	**36,014**	90,349	**86,145**	90,514
Different tax rates	**(4)**		**(4)**	-
Difference between NBV and WDV	**(203,846)**		**(203,846)**	-
Other adjustments	**-**	2,985	**-**	-
	268,352	153,994	**268,352**	156,291

9. Investment in subsidiaries

	The Company	
	2020	2019
	Eur	Eur
As at 1 July	**50,000**	-
Additional investment	**1,200**	50,000
As at 30 June	**51,200**	50,000

The subsidiaries as at 30 June 2020 are shown below:

	Registered office	% shares held	2020 Eur
Luxury Living Finance p.l.c.	Greentek Business Complex New Street in Triq il-Hofor, Qormi	99.99%	50,000
TG Solar Limited	Greentek Business Complex New Street in Triq il-Hofor, Qormi	100%	1,200

The share capital and reserves of the subsidiaries at reporting date stood as follows:

	2020	2019
	Eur	Eur
Ordinary shares	**51,200**	50,000
Retained earnings	**63,359**	9,663
	114,559	59,663

10. Intangible assets

	The Group		The Company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Development and operational rights on property	**2,831,000**	2,831,000	**2,831,000**	2,831,000
Goodwill on acquisition of Smoochie brand	**303,600**	-	**303,600**	-
Goodwill on acquisition of TG Solar Limited (note)	**-**	-	-	-
	3,134,600	2,831,000	**3,134,600**	2,831,000

Note: During the year under review, the goodwill on consolidation amounting to Eur875 has been fully provided for.

11. Property, plant and equipment

	PV farms Eur	Motor vehicles Eur	Furniture & fittings Eur	Other equipment Eur	Computer equipment Eur	Total Eur
As at 1 July 2019						
Cost	2,196,900	54,214	15,775	30,421	21,941	2,319,251
Accumulated depreciation	(75,966)	(30,143)	(4,222)	(8,377)	(11,260)	(129,968)
Closing net book value	2,120,934	24,071	11,553	22,044	10,681	2,189,283
As at 30 June 2020						
Opening net book value	2,120,934	24,071	11,553	22,044	10,681	2,189,283
Additions	2,214,044	35,348	5,000	73,805	7,830	2,336,027
Depreciation charge	(180,754)	(17,914)	(2,078)	(10,423)	(7,153)	(218,322)
Closing netbook value	**4,154,224**	**41,505**	**14,475**	**85,426**	**11,358**	**4,306,988**
As at 30 June 2020						
Cost	4,410,944	89,562	20,775	104,226	29,771	4,655,278
Accumulated depreciation	(256,720)	(48,057)	(6,300)	(18,800)	(18,413)	(348,290)
Closing net book value	**4,154,224**	**41,505**	**14,475**	**85,426**	**11,358**	**4,306,988**

12. Inventories

	The Group		The Company	
	2020 Eur	2019 Eur	**2020** Eur	2019 Eur
Finished goods and work in progress	**2,733,778**	2,413,777	**2,733,778**	2,422,080

13. Trade and other receivables

	The Group		The Company	
	2020 Eur	2019 Eur	**2020** Eur	2019 Eur
Non-current				
Trade receivables	**1,138,648**	1,462,550	**1,138,648**	1,462,550
Deferred cost	**510,320**	660,638	**510,320**	660,638
	1,648,968	2,123,188	**1,648,968**	2,123,188

13. Trade and other receivables (cont.)

	The Group		The Company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Current				
Trade receivables	**508,560**	805,940	**508,560**	826,660
Other receivables	**85,090**	18,435	**85,090**	18,435
VAT recoverable	**24,287**	19,239	**24,287**	19,239
Deferred cost	**64,972**	236,333	**64,972**	236,333
Prepayments	**94,876**	663,455	**94,876**	663,455
Advance payments	**91,626**	-	**91,626**	-
Related party balances (note)	**577,008**	54,399	**577,008**	54,399
Shareholders' current account (note)	**-**	1,381	**-**	1,381
	1,446,419	1,799,182	**1,446,419**	1,819,902

Note: The amounts due from shareholders and related parties are unsecured, interest free and repayable on demand.

14. Deferred taxation

Recognised deferred taxation

Deferred taxation is attributable to the following:

The Company	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur	**Eur**	Eur
Tax effect of:						
Unabsorbed capital allowaces and trading losses	**562,714**	156,291	**-**	-	**562,714**	156,291
Excess of capital allowances over depreciation	**-**	-	**(138,069)**	-	**(138,069)**	-
As at 31 December	**562,714**	156,291	**(138,069)**	-	**424,645**	156,291

The Group	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur	**Eur**	Eur
Tax effect of:						
Unabsorbed capital allowaces and trading losses	**562,714**	151,088	**-**	-	**562,714**	151,088
Excess of capital allowances over depreciation	**-**	-	**(138,069)**	-	**(138,069)**	-
As at 31 December	**562,714**	151,088	**(138,069)**	-	**424,645**	151,088

15. Share capital

	The Group		The Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Authorised				
2,931,000 Ordinary shares of Eur1 each	**2,931,000**	2,931,000	**2,931,000**	2,931,000
Issued and fully paid up				
2,931,000 Ordinary shares of Eur1 each	**2,931,000**	2,931,000	**2,931,000**	2,931,000

16. Borrowings

	The Group		The Company	
	2020	2019	2020	2019
Non-current liabilities	Eur	Eur	Eur	Eur
5% Secured Bonds 2028 (note 16.1)	**7,929,418**	7,918,521	-	-
Bank loans (note 16.2)	**491,062**	889,818	**491,062**	1,024,529
Loan due to subsidiary (note 16.4)	**-**	-	**7,918,521**	7,918,521
	8,420,480	8,808,339	**8,409,583**	8,943,050
Current liabilities				
Bank overdraft (note 16.3)	**340,907**	387,520	**340,907**	387,520
Bank loans	**543,625**	136,872	**543,625**	-
Amount due to subsidiary (note 16.5)	**-**	-	**113,298**	-
Due to shareholders (note 16.5)	**83,737**	-	**83,737**	-
	968,269	524,392	**1,081,567**	387,520
Total	**9,388,749**	9,332,731	**9,491,150**	9,330,570

Note 16.1 – Debt securities represent finance which was raised though the issue of bonds by one of the companies within the Group in prior years. 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. Interest on the 5% Secured Bonds 2028 is payable annually in arrears, on 29 July of each year.

16. Borrowings (cont.)

Note 16.2 The bank loans bear interest of 2.5% over the bank base rate and 2% over the bank base rate per annum and are secured by a general hypothec over the Company's assets, special hypothec over the affiliate's assets, guarantees given by the parent and group companies and by pledge over the affiliate's insurance policies in the name of the Company covering properties. The loans are repayable in monthly instalments starting from Eur4,135 to Eur8,985.

Note 16.3: The bank overdraft limited to Eur500,000 bears interest at 2.25% per annum and is repayable on demand. The bank overdraft is secured by a general hypothec over the Group's present and future assets.

Note 16.4 – The loan due to subsidiary relates to the transfer of funds from the subsidiary to the parent company, generated by the issue of bonds. This loan is unsecured, carries interest at 5.25% per annum and is repayable in full by not later than 30 June 2028.

Note 16.5 - The amount due to the shareholders and the current portion of the amount due to subsidiary is unsecured, interest free and repayable on demand.

17. Trade and other payables

	The Group		The Company	
	2020	2019	**2020**	2019
	Eur	Eur	Eur	Eur
Trade payables	**429,427**	178,843	**429,427**	178,843
Advance deposits	**46,681**	-	**46,681**	-
Accruals	**1,180,769**	1,141,886	**795,795**	769,199
Accrued FSS	**67,041**	-	**67,041**	
Related party balances	-	36,072	-	36,072
Deferred income	**535,996**	1,173,813	**535,996**	1,173,813
Other payables	**15,121**	-	**6,818**	-
	2,275,035	2,530,614	**1,881,758**	2,157,927

Note: The amount due to related parties are unsecured, interest free and repayable on demand.

18. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents at the end of the year comprised of the following:

	The Group		The Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Cash and bank balances (note)	503,714	3,163,771	101,379	2,703,337
Bank overdraft	(340,907)	(387,520)	(340,907)	(387,520)
	162,807	2,776,251	(239,528)	2,315,817

Note: As at year end the Company holds bank guarantees amounting to Eur8,000 in favour of the Planning Authority and the Building Regulation Office that shall both expire on the 10th January 2021 and 11th January 2021 respectively.

19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

The Company is ultimately owned by Jean Paul Busuttil and therefore all companies up to the ultimate beneficial owner, as well as other companies outside the Group which are owned by Jean Paul Busuttil are considered to be related parties. Trading transactions between the companies include items which are normally encountered in a group context.

Luxury Living Technologies Limited is the parent company of the entities listed in Note 9.

Transactions with related parties

	The Company	
	2020	2019
	Eur	Eur
Expenditure		
Management fee charged to parent	90,000	45,000
Interest payable on loan due to subsidiary	415,800	379,346
Rent payable to related parties	75,833	70,000
Loans and Advances		
Advances/repayments from shareholder	85,118	1,381
Advances to/repayment by related parties	558,681	1,965
Advances to subsidiary	113,298	360,433
Movement in loan due to subsidiary	-	7,918,521

Year-end balances from related party transactions are disclosed in Notes 13,16 and 17. Key management personnel compensation consisting of directors' remuneration has been disclosed in note 7.

20. Contingent liabilities

As at 30 June 2020, the Company had a guarantee in favour of Luxury Living Finance p.l.c. in relation to the issue of Eur8,000,000 5% Secured Bonds 2028.

21. Events after the reporting date

As at reporting date, there are no significant transactions, other than those disclosed in note 1.

22. Financial Risk Management

The group and company are exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating and investing activities. The Company is not exposed to currency risk and the directors consider interest rate risk exposure to be minimal due to fixed interest rates stipulated on interest bearing liabilities. Note 16 incorporate interest rates and maturity information with respect to the Company's main interest-bearing liabilities.

The group's and company's risk management is coordinated by the director and focuses on actively securing the group's and company's short to medium term cash flows by minimizing the exposure to financial instruments.

The most significant financial risks to which the group and company are exposed to are described below.

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist trade and other receivables and cash at bank (Note 13 and 18).

The Company's cash at bank is placed with high quality financial statements.

The Company's receivables consist mainly of trade and other receivables. Customer credit risk is managed by the Group's management subject to the Group's established policy procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each customer's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at the reporting date on an individual basis. The Group exercises a prudent credit control policy. In the previous year, the Company entered into commercial contracts with clients totaling Eur1.5 million. Given that this revenue will be receivable directly through the feed-in-tariffs generated by the installed photovoltaic panels, the credit risk in this respect is limited.

Liquidity risk

The group's and company's exposure to liquidity risk arises from their obligations to meet financial liabilities, which comprise principally of borrowings and trade and other payables (Refer to notes 16 and 17). 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 company's obligations when they become due.

22. Financial Risk Management (cont.)

Liquidity risk

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of the group were as summarised 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.

	The Group		The Company	
	2020	2019	**2020**	2019
	Eur	Eur	**Eur**	Eur
Borrowings				
Less than 6 months	**43,797**	-	**43,797**	-
From 6 months to 12 months	**924,471**	524,392	**1,037,770**	387,520
From 1 to 5 years	**8,420,480**	8,808,339	**8,409,583**	8,943,050
	9,388,748	9,332,731	**9,491,150**	9,330,570

Foreign currency risk

Most of the group's and company's transactions are carried out in Euro. Exposure to currency exchange rates arise from the group's and company's transactions in foreign currencies.

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

Interest rate risk

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

23. Capital management policies and procedures

The group and the company's capital management objectives are to ensure their 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 group and the company monitor the level of debt, which includes borrowings and trade and other payables less cash and cash equivalents, against total capital on an ongoing basis.