Impresa Limited

Report & Consolidated Financial Statements

31 December 2021

Company registration number: C 58665

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activities

The Group's principal activities, as exercised by the holding company and its subsidiaries, and which are substantially unchanged from last year, are mainly the manufacture of electronic packaging products, electrical fittings and other injection moulded products for third parties.

Review of the business

The year 2021 was a difficult year on many fronts. The group suffered continuous increases in the cost of raw materials throughout the year and substantial decrease in the production of one particular product. Furthermore, it also faced disruption and unavailability of transport modes.

The Group was facing these problems at a critical period in the finishing of the new premises project, from where, as stated in the Directors' Report last year, we had hoped to be fully operational by the end of 2021. Clearly, as also anticipated in the Report of last year, the supply chain issue also negatively impacted this large project and the actual move took place in March 2022, which, under the circumstances, is a minimal delay of three months from the targeted moving date of 31st December 2021.

Impact of Covid-19

The problems resulting from the outbreak of the pandemic Covid-19 in early 2020, along with the variants emanating therefrom during 2021, has clearly put further pressure on the operations of the Group. There were instances where a section had to be completely shut down, resulting in loss of production, in order to quarantine all the employees. Certain foreign workers decided to repatriate to their homeland, causing a lot of difficulties to replace.

At the time of writing this Report, Covid-19 is still present albeit in smaller number of persons infected. The Maltese Authorities are indicating that there is a slowdown of the transmission rate and this should hopefully ease the pressure that the Group has faced in relation to human resources.

As in the last two years, the Group will continue to monitor the situation on an on-going basis to ensure that further action, if required, is taken. The Group reiterates that the wellbeing of its employees and customers are of paramount importance to it and therefore it will continue to abide by all the directives issued by the competent health authorities.

The Group will also continue to take measures, within its control, to mitigate the adverse impact on its business, both operationally and financially.

Turnover, results and dividend

Turnover

Notwithstanding all of these issues, the Group's turnover for the year decreased by 5.5% from € 8.96M during the year ending 31 December 2020 to € 8.47M during the year ending 31 December 2021. Cost of Sales also decreased by 5.7%, from € 7.44M to € 7.02M.

Results

As done in previous years, in order to adequately assess the performance of the Group, any other income not generated from core business activities during 2020 and 2021 should be eliminated. The below is reflects the EBIDTA calculation for the respective periods:

EBIDTA calculation

	2021	2020
	€	€
Profit for the year	**1,152,156**	**1,070,283**
Add back: depreciation and amortisation	448,945	496,151
Less: other non-operating income	(283,344)	(158,434)
EBIDTA	**1,317,757**	**1,408,000**

The Group believes that the benefits from the investment and operational cost measures are continuing to improve the company's core business performance, and that these measures have mitigated the reduction in EDITDA.

The statements of comprehensive income are set out on page 5.

Dividends

The directors have authorised the payment of an interim dividend of €345,000. They do not recommend the payment of a final dividend.

Outlook for 2022

The Group makes reference to the continuously developing situation relating to Covid-19 in Malta and in other countries around the world in Note 2.2 of these Financial Statements.

Financial risk management

The company's activities expose it to a variety of financial risks, including credit and liquidity risk. These are further analysed in note 28 to these financial statements.

Results and dividends

The statements of profit or loss and other comprehensive income is set out on page 5. The directors have authorised the payment of an interim dividend of € 345,000 (2020: € 385,000). They do not recommend the payment of a final dividend.

Directors

The directors of the company who held office during the year were:

Chairman - Paul Mercieca (Non-Executive Director)
Joseph Borg (Co-Chief Executive Officer)
Anton Borg (Co-Chief Executive Officer)
Mark Joseph Borg (Executive Director)
Julian Edward Borg (Executive Director)
Kristina Christie (Executive Director)
Eng. Anthony Bartolo (Non-Executive Director)
Matthew Borg (Non-Executive Director)

The company's Articles of Association do not require any director to retire.

Disclosure of information to the auditor

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

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

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and the company as at the end of the reporting period and of the profit or loss of their operations for that period. In preparing those financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis; and
- value separately the components of asset and liability items.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company, and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the group and the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

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

On behalf of the board:

Anton Borg
Director

Joseph Borg
Director

Registered office:
HHF 417,
Hal Far Idustrial Estate,
Birzebbugia BBG 3000

20 April 2022

Statements of profit or loss and other comprehensive income

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Revenue	5	**8,466,839**	**8,956,854**	-	-
Cost of goods sold	6	(7,016,274)	(7,440,188)	-	-
Gross profit		**1,450,565**	**1,516,666**	-	-
Other income	7	426,981	224,397	-	
Administrative expenses	6	(725,390)	(670,780)	(4,442)	(2,706)
Operating profit (loss)		**1,152,156**	**1,070,283**	**(4,442)**	**(2,706)**
Investment income	8	-	-	365,000	408,000
Finance income		-	-	214,483	204,432
Finance costs	9	(415,590)	(384,212)	(214,483)	(215,201)
Profit before tax	10	**736,566**	**686,071**	**360,558**	**394,525**
Tax expense	11	147,646	(168,501)	-	-
Profit for the year		**884,212**	**517,570**	**360,558**	**394,525**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Currency translation differences		631	(1,445)		-
Other comprehensive income (loss) for the year		**631**	**(1,445)**	-	-
Total comprehensive income for the year		**884,843**	**516,125**	**360,558**	**394,525**

Statements of financial position

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		€	€	€	€
Assets					
Non-current					
Property, plant and equipment	12	10,655,470	8,360,203	-	-
Intangible assets	13	3,173,443	3,023,443	2,829,020	2,829,020
Right-of-use assets	14	1,343,224	1,373,930	-	-
Investment in subsidiaries	15	-	2,329	519,438	519,438
Available-for-sale financial assets	16	8,978	8,978	8,978	8,978
Deferred tax asset	17	260,732	113,086	-	-
Trade and other receivables	19	-	-	3,510,618	3,511,123
		15,441,847	**12,881,969**	**6,868,054**	**6,868,559**
Current					
Inventories	18	2,341,014	1,544,453	-	-
Trade and other receivables	19	2,112,830	2,393,655	137,854	125,817
Cash and cash equivalents	20	298,645	458,071	-	-
		4,752,489	**4,396,179**	**137,854**	**125,817**
Total assets		**20,194,336**	**17,278,148**	**7,005,908**	**6,994,376**

Statements of financial position – continued

		Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Equity					
Share capital	21	500,000	500,000	500,000	500,000
Reserves	22	63,479	62,848	-	-
Retained earnings		5,290,738	4,751,526	33,592	18,034
Total equity		**5,854,217**	**5,314,374**	**533,592**	**518,034**
Liabilities					
Non-current					
Borrowings	23	7,193,595	5,975,187	-	-
Lease liabilities	14	1,626,621	1,584,480	-	-
Loans payable to fellow subsidiaries	24	-	-	3,573,881	3,573,881
Trade and other payables	25	1,654,002	1,349,407	2,876,247	2,894,434
		10,474,218	**8,909,074**	**6,450,128**	**6,468,315**
Current					
Borrowings	23	2,322,375	1,469,730	-	-
Trade and other payables	25	1,533,633	1,575,077	21,440	7,279
Current taxation		9,893	9,893	748	748
		3,865,901	**3,054,700**	**22,188**	**8,027**
Total liabilities		**14,340,119**	**11,963,774**	**6,472,316**	**6,476,342**
Total equity and liabilities		**20,194,336**	**17,278,148**	**7,005,908**	**6,994,376**

The financial statements on pages 5 to 39 were approved by the board of directors, authorised for issue on 20 April 2022 and signed on its behalf by:

Anton Borg
Director

Joseph Borg
Director

Statements of changes in equity

Group

	Share capital €	Reserves €	Retained earnings €	Total equity €
Balance at 1 January 2020	500,000	64,293	4,618,956	5,183,249
Profit for the year	-	-	517,570	517,570
Other comprehensive loss for the year	-	(1,445)	-	(1,445)
Total comprehensive income for the year	**-**	**(1,445)**	**517,570**	**516,125**
Transactions with owners				
Dividends	-	-	(385,000)	(385,000)
Balance at 31 December 2020	**500,000**	**62,848**	**4,751,526**	**5,314,374**
Balance at 1 January 2021	500,000	62,848	4,751,526	5,314,374
Profit for the year	-	-	884,212	884,212
Other comprehensive income for the year	-	631	-	631
Total comprehensive income for the year	**-**	**631**	**884,212**	**884,843**
Transactions with owners				
Dividends	-	-	(345,000)	(345,000)
Balance at 31 December 2021	**500,000**	**63,479**	**5,290,738**	**5,854,217**

Retained earnings include all current and prior year results as in the statement of comprehensive income and other comprehensive income less dividend distributions.

Statements of changes in equity – continued

Company

	Share capital €	Retained earnings €	Total equity €
Balance at 1 January 2020	500,000	8,509	508,509
Total comprehensive income for the year	-	394,525	394,525
Transactions with owners			
Dividends	-	(385,000)	(385,000)
Balance at 31 December 2020	**500,000**	**18,034**	**518,034**
Balance at 1 January 2021	500,000	18,034	518,034
Total comprehensive income for the year	-	360,558	360,558
Transactions with owners			
Dividends	-	(345,000)	(345,000)
Balance at 31 December 2021	**500,000**	**33,592**	**533,592**

Retained earnings include all current and prior year results as in the statement of comprehensive income and other comprehensive income less dividend distributions.

Statements of cash flows

	Notes	Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Operating activities					
Profit before tax		736,566	686,071	360,558	394,525
Adjustments	26	479,049	749,504	(365,000)	(397,231)
Net changes in working capital	26	145,552	954,543	349,447	387,201
Interest paid		(123,079)	(96,164)		-
Net cash generated from operating activities		**1,238,088**	**2,293,954**	**345,005**	**384,495**
Investing activities					
Purchase of property, plant and equipment		(2,723,197)	(2,017,815)	-	-
Purchase of intangible assets		(150,000)	(1,748)	-	-
Proceeds from disposal of investment		-	500	-	500
Net cash (used in) generated from investing activities		**(2,873,197)**	**(2,019,063)**	**-**	**500**
Financing activities					
Proceeds from borrowings		1,258,975	1,241,016	-	-
Interest paid on bonds		(203,500)	(203,500)	-	-
Payments on lease liabilities		(37,506)	(32,316)	-	-
Dividends paid		(345,000)	(385,000)	(345,000)	(385,000)
Net cash generated from (used in) financing activities		**672,969**	**620,200**	**(345,000)**	**(385,000)**
Net change in cash and cash equivalents		(962,140)	895,091	5	(5)
Cash and cash equivalents, beginning of year		(658,471)	(1,553,562)	(5)	-
Cash and cash equivalents, end of year	20	**(1,620,611)**	**(658,471)**	**-**	**(5)**

Notes to the consolidated financial statements

1 Nature of operations

The Group's principal activities, as exercised by the holding company and its subsidiaries, and which are substantially unchanged from last year, are mainly the manufacture of electronic packaging products, electrical fittings and cables, and other injection moulded products for third parties.

2 Basis of preparation

2.1 General information and statement of compliance with International Financial Reporting Standards

Impresa Limited is a private limited liability company and is incorporated and domiciled in Malta. The address of the company's registered office is HHF 417, Hal-Far Industrial Estate, Birzebbugia BBG 3000, Malta.

The financial statements of Impresa Limited ("the company") and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386. They have been prepared under the assumption that the company and the group operates on a going concern basis.

The financial statements are presented in euro (€), which is also the functional currency of the company and of the group.

2.2 Consideration of the effects of Covid-19

The group makes reference to the continuously developing situation relating to Covid-19 in Malta and in other countries around the world.

Reference is made to Note 28 of the accounts of 2019, which stated that "It is natural to assume that COVID-19 will unavoidably have a negative impact on the Group's performance for 2020. However, it is too early to quantify the adverse impact at this stage. The Group is significantly dependent on contracting business from a concentrated group of customers and does not have a full insight into the impact of COVID-19 on their respective businesses over the next 12 months"

In fact COVID-19 did have a negative impact on some of its clients but not all. Although the original forecast for 2020 was revised downwards during the year, the Group still ended the year with a year on year reduction in core business of 6.7%. This led to a more conservative growth forecast for 2021.

Nonetheless, during 2021, the groups EBITDA reached € 1,318K resulting in a minimal decrease in core business results of 6.4%. The Group believes that the benefits from the investment and operational cost measures are continuing to improve the company's core business performance, with the reduction in EBITDA emanating from the disruption and unavailability of transport modes and also due to a slowdown in production of one product line.

The Group will continue to monitor the situation on an on-going basis to ensure that further action, if required, is taken. The wellbeing of its employees and customers are of paramount importance to the Group and therefore the Group will continue to abide by all the directives issued by the competent health authorities. To this extent, the Group will also continue to take measures, within its control, to mitigate the adverse impact on its business, both operationally and financially.

Based on the above, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis.

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

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the group's financial statements.

4 Significant accounting policies

4.1 Overall considerations

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

The accounting policies have been consistently applied by the company during the period under review.

Certain comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format. These reclassifications did not have a material impact in the company's statement of financial position and statement of cash flows.

4.2 Basis of consolidation

The group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2021. Subsidiaries are all entities over which the group has power to control the financial and operating policies. Impresa Limited and its subsidiaries obtain and exercise control through voting rights. All subsidiaries have a reporting date of 31 December.

Intra-group balances, transactions and unrealised gains and losses on transactions between the group companies are eliminated on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The consolidated financial statements have been prepared from the financial statements of the companies comprising the group as set out in note 15 of these financial statements.

4.3 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the statements of profit or loss and other comprehensive income.

A merger of entities under common control is accounted for by applying the pooling of interests method (predecessor accounting). Under this method, the financial statement items of the combining entities for the period in which the combination occurs and for any comparative periods disclosed are included in the financial statements of the company (the acquirer) as if they had been combined from the beginning of the earliest period presented. Any difference between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is adjusted against reserves.

4.4 Revenue

Revenue is generated from the sale of electronic packaging products, electrical fittings and cables, and other injection moulded products.

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods to its customers.

Revenue from the sale of goods is recognised when or as the group transfers control of the assets to the customer. Control is transferred at a point in time and occurs when the customer takes undisputed delivery of the goods.

4.5 Expenses

Expenses are recognised in profit or loss upon utilisation of the service or as incurred.

4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.7 Employee benefits

Contributions toward the state pension in accordance with local legislation are recognised in profit or loss when they are due.

4.8 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.9 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.13 for a description of impairment testing procedures.

4.10 Other intangible assets

Other intangible assets of the group relate to trademarks. Acquired trademarks are capitalised on the basis of costs incurred and have an indefinite useful life. The useful life of other intangible assets is reviewed regularly and revised if necessary.

At each reporting date, the group assesses whether there is any indication of impairment (note 4.13).

Impairment losses are recognised in profit or loss within other income or other expense.

4.11 Property, plant and equipment

Items of property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the group's management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Asset in the course of construction represents the new factory of the group and is stated at cost. Costs included under asset in the course of construction will be transferred to building and improvements upon completion. The account is not depreciated until such time that the asset is completed and available for use.

Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

Depreciation is recognised on a straight-line basis to write down the cost over their estimated useful lives on the following bases:

	%
- Solar systems and panels	4 - 10%
- Improvements to buildings	5%
- Plant, machinery, tools and equipment	10 - 33.3%
- Office fixtures and equipment	20%
- Computer equipment	10 - 20%
- Motor vehicles	20%

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income' or 'administrative expenses'.

4.12 Leased assets

The group as a lessee

For contracts entered into, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. The group makes use of leasing arrangements principally for land and buildings. The rental contracts are typically negotiated for terms of between 3 to 67.5 years. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

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

Measurement and recognition of leases as a lessee

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

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

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

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

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

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

On the statement of financial position, the company has opted to disclose the right-of-use assets and lease liabilities as separate financial statement line items.

Operating leases as a lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term, where the lessee does not bear substantially all of the risks and rewards of ownership associated with the asset. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.13 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.14 Investments in subsidiaries

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

At the end of each reporting period, the company reviews the carrying amount of its investments in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

4.15 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

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

The group does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's available-for-sale financial assets, cash and cash equivalents, trade and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and,
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The group's financial liabilities include borrowings, lease liabilities and trade and most payables.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the income statement are included within 'finance costs' or 'finance income'.

4.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

4.17 Income taxes

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and company and it is probable that reversal will not occur in the foreseeable future.

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

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

4.18 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank net of bank overdraft. In the statement of financial position, the bank overdraft is included within bank borrowings under current liabilities.

4.19 Equity, reserves and dividend payments

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

Reserves comprise incentives and benefits reserve and translation reserve. Translation reserve comprises foreign currency translation differences arising from the translation of the financial statements of the group's entities into euro.

Retained earnings include all current and prior period results less dividend distributions.

All transactions with owners are recorded separately within equity.

4.20 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Where the time value of money is material, provisions are discounted to their present values.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.21 Government grants

Government grants are assistance by government, inter-governmental agencies and similar bodies whether local, national or international, in the form of cash or transfers of assets to the company in return for past or future compliance with certain conditions relating to operating activities of the company. Government grants are recognised when there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss so as to match them with the expenditure towards which they are intended to contribute. Any grants relating to future periods are recognised as deferred income.

Government grants related to assets are presented as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

4.22 Training grants

Training grants are accounted for on a cash basis. The equivalent of the amount received during the year is transferred to the incentives and benefits reserve as required by the Business Promotion Act, 2000.

4.23 Significant management judgement in applying accounting policies and estimation uncertainty

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

Except as disclosed below, in the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Significant management judgement

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

Recognition of deferred tax asset

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the that future taxable income will be available against which the deferred tax asset can be utilised.

Estimation uncertainty

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

Impairment of non-financial assets and goodwill

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

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by expiry, obsolescence or other market-driven changes that may reduce future selling prices.

5 Revenue

The Group's revenue relates to the sale of PVC pipes, conduits, packaging materials, electrical fittings and cables.

	Group	
	2021	2020
	€	€
By geographical segment		
Europe	5,136,157	4,933,681
Non-Europe	3,330,682	4,023,173
	8,466,839	**8,956,854**

Geographical segment information shown above is presented according to the geographical location of customers.

6 Expenses

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Raw materials and consumables	4,509,570	4,940,079	-	-
Staff costs	2,059,165	2,021,488	-	-
Depreciation	448,945	496,151	-	-
Other expenses	723,984	653,250	4,442	2,706
Total cost of goods sold and administrative expenses	**7,741,664**	**8,110,968**	**4,442**	**2,706**

Staff costs

	Group	
	2021	2020
	€	€
Wages and salaries	1,919,846	1,887,724
Social security contributions	139,319	133,764
	2,059,165	**2,021,488**

The average number of employees during the year was:

	Group	
	2021	2020
	No.	No
Direct	69	85
Administration	22	23
	91	**108**

7 Other income

	Group	
	2021	2020
	€	€
Government grants	471,558	471,558
Provision for impairment of property, plant and equipment	(4,491)	(178,706)
Others	(40,086)	(68,455)
	426,981	**224,397**

8 Investment income

	Company	
	2021	2020
	€	€
Dividend from shares in subsidiary undertakings	**365,000**	**408,000**

9 Finance costs

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest on debt securities in issue	203,500	203,500	-	-
Interest on bank loans and overdrafts	121,925	95,143	-	-
Interest on loans owed to group entities	-	-	214,483	215,201
Interest on lease liabilities	79,647	75,184	-	-
Other interest charges	1,154	1,021	-	-
Amortisation of bond issue costs	9,364	9,364	-	-
	415,590	**384,212**	**214,483**	**215,201**

10 Profit before tax

Profit before tax is stated after charging:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Auditors' remuneration	20,080	19,500	2,100	2,000
Directors' remuneration	47,629	47,207	-	-
Depreciation charge	448,945	496,151	-	-
Impairment losses on property, plant and equipment	4,491	178,706	-	-

11 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the group and the company at 35% (2020: 35%) and the actual tax expense recognised in the statement can be reconciled as follows:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Profit before tax	736,566	686,071	360,558	394,525
Tax rate	35%	35%	35%	35%
Expected tax expense	**(257,798)**	**(240,125)**	**(126,195)**	**(138,084)**
Expenses not allowable for tax purposes	(4,832)	(4,225)	(1,555)	(4,716)
Unrecognised temporary differences	25,095	(8,745)	-	-
Income of a capital nature	140,000	140,000	-	-
Income not subject to tax	25,045	25,045	127,750	142,800
Overprovision from prior year	189,903	(80,451)	-	-
Effects of tax credit	30,233	-	-	-
Tax income (expense)	**147,646**	**(168,501)**	-	-

Refer to note 17 for information on the group's deferred tax asset.

12 Property, plant and equipment

Details of the group's property, plant and equipment and their carrying amounts are as follows:

Group	Assets in the course of construction €	Improvements to buildings €	Plant, machinery, tools and equipment €	Computer equipment €	Motor vehicles €	Solar system panels €	Office fixtures and equipment €	Total €
Cost								
Balance at 1 January 2021	5,398,343	594,114	6,648,916	254,177	166,332	1,176,700	131,326	14,369,908
Additions	2,593,044	-	106,912	15,352	5,148	-	2,741	2,723,197
Disposals	-	-	(8,000)	-	-	-	-	(8,000)
Reclass	-	-	101,827	-	-	-	(101,827)	-
Balance at 31 December 2021	**7,991,387**	**594,114**	**6,849,655**	**269,529**	**171,480**	**1,176,700**	**32,240**	**17,085,105**
Accumulated depreciation								
Balance at 1 January 2021	-	466,986	4,607,535	200,958	129,831	304,813	120,876	5,830,999
Depreciation for the year	-	69	341,414	11,378	12,949	47,199	5,230	418,239
Disposals	-	-	(2,800)	-	-	-	-	(2,800)
Reclass	-	-	100,355	-	-	-	(100,355)	-
Balance at 31 December 2021	**-**	**467,055**	**5,046,504**	**212,336**	**142,780**	**352,012**	**25,751**	**6,246,438**
Impairment loss								
Balance at 1 January 2021	-	121,888	56,818	-	-	-	-	178,706
Provision for the year	-	4,491	-	-	-	-	-	4,491
Balance at 31 December 2021	**-**	**126,379**	**56,818**	**-**	**-**	**-**	**-**	**183,197**
Carrying amount at 31 December 2021	**7,991,387**	**680**	**1,746,333**	**57,193**	**28,700**	**824,688**	**6,489**	**10,655,470**

Provision for impairment was provided to most of the improvements to buildings and some assets under plant, machinery, tools & equipment in which the company determined to have no further use upon its transfer to the new factory. The impairment losses on property, plant and equipment recognised in profit or loss during the year are included as part of other income (note 7).

Group	Assets in the course of construction €	Improvements to buildings €	Plant, machinery, tools and equipment €	Computer equipment €	Motor vehicles €	Solar system panels €	Office fixtures and equipment €	Total €
Gross carrying amount								
Balance at 1 January 2020	3,741,926	590,699	6,540,663	230,421	142,608	1,176,700	131,326	12,554,343
Additions	1,656,417	3,415	108,253	23,756	23,724	-	-	1,815,565
Balance at 31 December 2020	**5,398,343**	**594,114**	**6,648,916**	**254,177**	**166,332**	**1,176,700**	**131,326**	**14,369,908**
Accumulated depreciation								
Balance at 1 January 2020	-	446,411	4,254,293	192,697	118,885	257,613	115,310	5,385,209
Depreciation for the year	-	20,575	353,242	8,261	10,946	47,200	5,566	445,790
Balance at 31 December 2020	**-**	**466,986**	**4,607,535**	**200,958**	**129,831**	**304,813**	**120,876**	**5,830,999**
Impairment loss								
Provision for the year	-	121,888	56,818	-	-	-	-	178,706
Balance at 31 December 2021	**-**	**121,888**	**56,818**	**-**	**-**	**-**	**-**	**178,706**
Carrying amount at 31 December 2020	**5,398,343**	**5,240**	**1,984,563**	**53,219**	**36,501**	**871,887**	**10,450**	**8,360,203**

Provision for impairment was provided to most of the improvements to buildings and some assets under plant, machinery, tools & equipment in which the company determined to have no further use upon its transfer to the new factory. The impairment losses on property, plant and equipment recognised in profit or loss during the year are included as part of other income (note 7).

13 Intangible assets

Group

Intangible assets of the group consist of the following:

	Group	
	2021	2020
	€	€
Goodwill	2,997,500	2,997,500
Trademarks	175,943	25,943
	3,173,443	**3,023,443**

Goodwill

On 19 December 2012, the group, through the parent company, acquired 100% of the share capital of JAB Investments Limited from related parties for a total cost of € 3 million.

Identifiable net assets acquired and liabilities assumed

	€
Property, plant and equipment	933,805
Net working capital	(931,305)
Total identifiable net assets	**2,500**

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	3,000,000
Less: value of identifiable net assets	(2,500)
Goodwill	**2,997,500**

Resulting goodwill was based on the fair values of the assets and liabilities of the acquired company.

Trademarks

During 2021, the group acquired trademarks amounting to € 150,000 (2020: € 1,748).

Company

Intangible assets of the company consist of the following:

	Company	
	2021	2020
	€	€
Goodwill	2,829,020	2,829,020

Goodwill

On 1 January 2020, JAB Investments Limited was merged to the company accounted under acquisition method of business combination.

Identifiable net assets acquired and liabilities assumed

	€
Investment in subsidiaries	472,438
Available for sale financial assets	9,478
Net working capital	(310,936)
Total identifiable net assets	**170,980**

Goodwill was recognised as a result of the acquisition as follows:

Investment in JAB Investments Limited	3,000,000
Less: value of identifiable net assets	(170,980)
Goodwill	**2,829,020**

Resulting goodwill was based on the fair values of the assets and liabilities of the acquired company.

14 Leases

Group

Right-of-use assets

	Land and buildings €
Cost	
At 1 January/ 31 December 2021	**1,474,652**
Accumulated depreciation	
At 1 January 2021	100,722
Depreciation for the year	30,706
At 31 December 2021	**131,428**
Carrying amount at 31 December 2021	**1,343,224**
Cost	
At 1 January / 31 December 2020	**1,474,652**
Accumulated depreciation	
At 1 January 2020	50,361
Depreciation for the year	50,361
At 31 December 2020	**100,722**
Carrying amount at 31 December 2020	**1,373,930**

Lease liabilities

Lease liabilities of the group are presented in the statements of financial position under non-current liabilities amounting to € 1,626,621 (2020: € 1,584,480).

The group has leases for the land and factory premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability. The group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the group to sublet the asset to another party, the right-of-use asset can only be used by the group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The group is prohibited from selling or pledging the underlying leased assets as security. For leases over land and buildings, the group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the group's leasing activities by type of right-of-use asset recognised in the statement of financial position:

Right-of-use assets	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term
Land and buildings	2	0.5 to 65 years	65 years

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at each reporting period were as follows:

	Not later than one year	Later than one year but not later than 5 years	Later than 5 years	Total
31 December 2021				
Lease payments	36,000	144,000	7,829,137	8,009,137
Finance charges	(80,473)	(345,532)	(5,956,511)	(6,382,516)
Net present values	**(44,473)**	**(201,532)**	**1,872,626**	**1,626,621**
31 December 2020				
Lease payments	35,079	144,000	7,865,074	8,044,153
Finance charges	(77,220)	(335,936)	(6,046,517)	(6,459,673)
Net present values	**(42,141)**	**(191,936)**	**1,818,557**	**1,584,480**

Due to the long-term nature of the lease, the finance charges applicable in the early years of the lease of the group are higher than the actual outflows, thus, resulting in a negative net present value.

Lease payments not recognised as liability

The group elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such are expensed on a straight-line basis and amounted to € 12,064 (2020: € 2,527) included as part of administrative expenses in the statements of profit or loss and other comprehensive income.

15 Investment in subsidiaries

Group	Shares in group undertaking 2021 €	Shares in group undertaking 2020 €
At 31 December		
Cost and net book amount	-	**2,329**

In 2021,the Group has written off its investment in Proplastik Limited as the Malta Business Registry (MBR) listed the company as defunct.

Company

	Shares in group undertaking	
	2021	**2020**
	€	**€**
As at 1 January	519,438	3,047,000
Elimination through merger	-	(3,000,000)
Acquisitions through merger	-	484,746
Provision on investments	(12,308)	(12,308)
Write-off of investments	12,308	-
As at 31 December	**519,438**	**519,438**

The company has unquoted investments in the following subsidiaries:

Group undertakings	Registered office	Classes of shares held	Percentage of shares held 2021	2020
Eurosupplies Limited (i)	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary 'A' shares	98%	98%
Elepac Limited	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary 'A' shares	100%	100%
Meritlink Limited (i)	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary 'A' shares	98%	98%
Proplastik Limited (ii)	314, Mdina Road Qormi, Malta	Ordinary 'B' shares	-	-
Institute for Professional Development Malta Limited	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary shares	-	99.8%
Sollease Limited	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary shares	100%	100%
IG Finance plc	HHF 417, Hal- Far Industrial Estate Birzebbuga, BBG 3000, Malta	Ordinary shares	100%	100%

Notes:

(i) The group does not recognise amounts due to/from non-controlling interests since the amounts are not material.

(ii) In 2021, the Company has written off its investments in Proplastik Limited and Institute for Professional Development Malta Limited as the MBR listed these companies as defunct.

16 Available-for-sale financial assets

	Group		Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Local unquoted shares	8,978	8,978	8,978	8,978

Available for sale financial assets represents certain shareholdings in Malta Institute for Medical Education Co.

17 Deferred tax asset

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2020: 35%).

The movement on the deferred tax account is as follows:

	Group	
	2021	2020
	€	€
At 1 January	113,086	281,587
Deferred taxes on temporary differences	147,646	(168,501)
At 31 December	**260,732**	**113,086**

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

The balance at 31 December represents:

	Group	
	2021	2020
	€	€
Temporary differences arising on:		
- investments tax credits	883,946	715,249
- provisions and property, plant and equipment	(630,346)	(602,163)
- capital allowances	7,132	-
	260,732	**113,086**

The recognised deferred tax assets are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

At 31 December, the group had the following deferred tax asset comprising unutilised tax credit and temporary differences, which were unrecognised in these financial statements:

	Group	
	2021	2020
	€	€
Temporary differences arising on:		
- unabsorbed tax losses and capital allowances	93,735	36,280
- provisions and property, plant and equipment	(23,196)	(11,294)

These give rise to a group deferred tax asset of € 6,601 (2020: € 8,745) which has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

18 Inventories

	Group	
	2021	2020
	€	€
Raw materials, work in progress and finished goods	2,341,014	1,544,453

There were no inventory write-downs during the year 2021 and 2020. Inventory write-downs have been charged to profit or loss and are included within 'cost of sales' in the statements of profit or loss and other comprehensive income.

19 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Non-current				
Amounts owed by group undertakings	-	-	3,510,618	3,511,123
Financial assets	**-**	**-**	**3,510,618**	**3,511,123**
Current				
Trade receivables	1,814,983	1,883,781	-	-
Loss allowance	(435)	(59,013)	-	-
Trade receivables - net	1,814,548	1,824,768	-	-
Amounts owed by group undertakings	9,782	-	112,294	113,064
Amounts owed by shareholders	25,560	12,753	25,560	12,753
Financial assets	**1,849,890**	**1,837,521**	**137,854**	**125,817**
Indirect taxation	149,297	37,985	-	-
Other receivables	24,050	5,325	-	-
Prepayments and accrued income	89,593	512,824	-	-
Trade and other receivables - current	**2,112,830**	**2,393,655**	**137,854**	**125,817**
Trade and other receivables	**2,112,830**	**2,393,655**	**3,648,472**	**3,636,940**

Amounts owed by group undertakings include an amount of € 3,510,618 (2020: € 3,510,618) repayable after more than 5 years and bear interest of 6.1% per annum. Interest earned in the current period amounted to € 214,483 (2020: € 204,432). The identified expected credit loss under IFRS 9 is immaterial.

Included in prepayments and accrued income is an amount of € 1,829 (2020: € 419,220) relating to advance payments made in respect of the new factory.

The group's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 28. The other clauses within receivables do not contain impaired assets.

20 Cash and cash equivalents

Cash and cash equivalents include the following components:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Cash at bank and in hand	298,645	458,071	-	-
Cash and cash equivalents as shown in the Statements of financial position	**298,645**	**458,071**	-	-
Bank overdraft (note 23)	(1,919,256)	(1,116,542)	-	-
Bank balance overdrawn (note 25)	-	-	-	(5)
Cash and cash equivalents as shown in the Statements of cash flows	**(1,620,611)**	**(658,471)**	-	**(5)**

21 Share capital

The share capital of Impresa Limited consists only of ordinary shares with a par value of € 2.5. All shares are equally eligible to receive dividends and repayment of capital, and represent one vote at the shareholders' meeting of the company.

	Group and Company	
	2021	2020
	€	€
Authorised, issued and fully paid up		
200,000 ordinary shares of € 2.50 each	**500,000**	**500,000**

22 Reserves

	Foreign exchange reserve	Incentives & benefits reserve	Total
	€	€	€
At 1 January 2020	4,682	59,611	64,293
Currency translation difference	(1,445)	-	(1,445)
As at 31 December 2020	**3,237**	**59,611**	**62,848**
At 1 January 2021	3,237	59,611	62,848
Currency translation difference	631	-	631
As at 31 December 2021	**3,868**	**59,611**	**63,479**

23 Borrowings

	Group 2021 €	Group 2020 €
Non-current		
Bank loans	3,543,536	2,334,492
Debt securities in issue	3,650,059	3,640,695
	7,193,595	**5,975,187**
Current		
Bank overdraft	1,919,256	1,116,542
Bank loans	276,001	226,070
Debt securities in issue	127,118	127,118
	2,322,375	**1,469,730**

The Group's borrowing facilities as at 31 December 2021 amounted to € 9,515,970 (2020: € 7,504,222).

The bank borrowings are secured by a general hypothec over the group's assets, pledge on receivables and insurance policies, and by personal guarantees of the directors.

Debt securities in issue

	2021 €	2020 €
Prospects MTF: 3,700 5.5% Unsecured Bonds 2024-2027		
Amounts falling due within one year	127,118	127,118
Amounts due after more than one year	3,650,059	3,640,695
	3,777,177	**3,767,813**

By virtue of Company Admission Document dated 7 April 2017, the group has issued € 3,700,000 5.5% Unsecured Bonds of nominal value of € 1,000 per bond. Unless previously re-purchased or cancelled, the bonds are redeemable at their nominal value on 17 May 2027 with early redemption from 18 May 2024 at the option of the company.

The bonds have been admitted on Prospects MTF, a multilateral trading facility operated by the Malta Stock Exchange, on 2 May 2017 with trading in the bonds commencing on 3 May 2017. The carrying amount of the bonds is € 3,777,177 (2020: € 3,767,813). The market value of the debt securities on the last day before the reporting date was € 3,700,000 (2020: € 3,700,000)

Interest is payable on 17 May of each year at the rate of 5.5% per annum, payable annually in arrears on each interest payment date.

Transaction costs of € 93,640 directly related to the bond issue are being amortised over the life of the bond.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest methods as follows

	2021	2020
	€	€
3,700 5.5% Unsecured Bonds 2024-2027		
Original face value of bonds issued	3,700,000	3,700,000
Gross amount of bond issue costs	(93,640)	(93,640)
Net proceeds from issuance	**3,606,360**	**3,606,360**
Amortisation of bond issue costs		
Accumulated amortisation at beginning of year	34,335	24,971
Amortisation charge for the year	9,364	9,364
Accumulated amortisation at end of year	**43,699**	**34,335**
Unamortised bond issue costs	49,941	59,305
Interest accrued as at end of year	**127,118**	**127,118**
Amortised cost and carrying amount	**3,777,177**	**3,767,813**

24 Loans payable to subsidiaries

	Company	
	2021	2020
	€	€
Carrying amount as at 31 December	**3,573,881**	**3,573,881**

The loans are unsecured, subject to interest at 6.1% and repayable after more than 5 years.

25 Trade and other payables

Trade and other payables recognised in the statements of financial position can be analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Non-current				
Amounts owed to group undertakings	-	-	2,876,247	2,894,434
Trade payables	30,000	20,533	-	-
Financial liabilities	**30,000**	**20,533**	**2,876,247**	**2,894,434**
Deferred income	1,624,002	1,328,874	-	-
Trade and other payables – non-current	**1,654,002**	**1,349,407**	**2,876,247**	**2,894,434**

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Current				
Trade payables	999,554	866,629	-	-
Capital payables	-	239,170	-	-
Amount owed to group companies	-	-	17,691	-
Amounts owed to shareholders	20,933	20,953	-	-
Bank balance overdrawn	-	-	-	5
Other payables	-	-	354	3,880
Accruals	211,707	221,798	3,395	3,394
Financial liabilities	**1,232,194**	**1,348,550**	**21,440**	**7,279**
Deferred income	108,138	71,559	-	-
Other payables	13,916	33,740	-	-
Other taxes and social security	179,385	121,228	-	-
Trade and other payables - current	**1,533,633**	**1,575,077**	**21,440**	**7,279**
Total trade and other payables	**3,187,635**	**2,924,484**	**2,897,687**	**2,901,713**

Short term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

Deferred income recognised by the group arose from tax credits received in form of cash.

26 Cash flow adjustments and net changes in working capital

The following cash flow adjustments and changes in working capital have been made to profit before tax to arrive at operating cash flow:

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Adjustments:				
Investment income	-	-	(365,000)	(408,000)
Finance income	-	-	(214,483)	(204,432)
Finance costs	-	-	214,483	215,201
Government grants	(71,558)	(71,558)	-	-
Depreciation of property, plant and equipment	418,239	445,790	-	-
Depreciation of right-of-use assets	30,706	50,361	-	-
Impairment losses on property, plant and equipment	4,491	178,706	-	-
Loss on disposal of property, plant and equipment	5,200	-	-	-
Amortisation of bond issue costs	9,364	9,364	-	-
Interest on lease liabilities	79,647	75,184	-	-
Effect of Forex translation	631	-	-	-
Balances written off	2,329	61,657	-	-
	479,049	**749,504**	**(365,000)**	**(397,231)**
Net changes in working capital:				
Inventories	(796,561)	298,139	-	-
Trade and other receivables	280,825	437,949	567,952	2,105,204
Trade and other payables	661,288	218,455	(218,505)	(1,718,003)
	145,552	**954,543**	**349,447**	**387,201**

27 Related party transactions

Impresa Limited is the parent company of the Impresa Group, which comprise the company and its subsidiaries. All companies forming part of the Impresa Group are related parties since these companies are all ultimately owned by members of the Borg family.

The following significant transaction were carried out with related parties:

	2021	2020
	€	€
Company		
Investment income	365,000	408,000

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Year end balances with related parties, arising principally from transactions referred to previously, are disclosed in notes 19 and 25 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 10.

28 Risk management objectives and policies

The group is exposed to credit risk, liquidity risk and market risk through its use of financial instruments. The group's risk management is coordinated by the director.

The financial risks to which the group and the company may be exposed are described below.

28.1 Credit risk

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

		Group		Company	
	Notes	2021	2020	2021	2020
		€	€	€	€
Classes of financial assets – carrying amounts					
Available for sale financial assets	16	8,978	8,978	8,978	8,978
Trade and other receivables	19	1,849,890	1,837,521	3,648,472	3,636,940
Cash and cash equivalents	20	298,645	458,071	-	-
		2,157,513	2,304,570	3,657,450	3,645,918

The group's management considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

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

The group's concentration to credit risk arising from trade receivables and amounts owed by group undertakings are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider these receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group.

Cash at bank is placed with reliable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

28.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise lease liabilities, borrowings, loans payable to subsidiaries and trade and other payables (see notes 14, 23, 24, and 25). The group has the financial support of its shareholder and related parties to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due. The group's exposure to liquidity risk is therefore limited.

At 31 December 2021, the group's financial liabilities have contractual maturities which are summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €
Borrowings	2,322,375	7,193,395
Lease liabilities	-	1,626,621
Trade and other payables	1,232,195	30,000
	3,554,570	**8,850,016**

As at 31 December 2020, the group's financial liabilities have contractual maturities as summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €
Borrowings	1,469,730	5,975,187
Lease liabilities	-	1,584,480
Trade and other payables	1,348,550	20,533
	2,818,280	**7,580,200**

At 31 December 2021, the company's financial liabilities have contractual maturities which are summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €
Loans payable to subsidiaries	-	3,573,881
Trade and other payables	21,440	2,876,247
	21,440	**6,450,128**

As at 31 December 2020, the company's financial liabilities have contractual maturities as summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €
Loans payable to subsidiaries	-	3,573,881
Trade and other payables	7,279	2,894,434
	7,279	**6,468,315**

The above amounts reflect the contractual undiscounted cash flows which may differ from the carrying amounts of liabilities at the reporting date.

28.3 Foreign currency risk

The group's operating revenues, operating expenditure and financing are mainly denominated in euro. Accordingly, the group's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

28.4 Interest rate risk

As the group has no significant interesting-bearing assets, its income and operating cash flows are not dependent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at floating rates, comprising bank borrowings (note 23), expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

28.5 Summary of financial assets and financial liabilities by category

The carrying amounts of the group's and company's financial assets and financial liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.15 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Non-current assets				
Financial assets measured at amortised cost:				
- Available for sale financial assets	8,978	8,978	8,978	8,978
- Trade and other receivables	-	-	3,510,618	3,511,123
	8,978	**8,978**	**3,519,596**	**3,520,101**
Current assets				
Financial assets measured at amortised cost:				
- Trade and other receivables	1,849,890	1,837,521	137,854	125,817
- Cash and cash equivalents	298,645	458,071	-	-
	2,148,535	**2,295,592**	**137,854**	**125,817**
Non-current liabilities				
Financial liabilities measured at amortised cost:				
- Borrowings	7,193,595	5,975,187	-	-
- Lease liabilities	1,626,621	1,584,480	-	-
- Loans payable to subsidiaries	-	-	3,573,881	3,573,881
- Trade and other payables	30,000	20,533	2,876,247	2,894,434
	8,850,216	**7,580,200**	**6,450,128**	**6,468,315**
Current liabilities				
Financial liabilities measured at amortised cost:				
- Borrowings	2,322,375	1,469,730	-	-
- Trade and other payables	1,232,194	1,348,550	21,440	7,279
	3,554,569	**2,818,280**	**21,440**	**7,279**

29 Capital management policies and procedures

The group's objectives when managing capital are to safeguard the respective group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may issue new shares or adjust the amount of dividends paid to shareholders.

The group's equity, as disclosed in the statements of financial position, constitutes its capital. The group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

30 Post-reporting date events

There were no adjusting or significant non adjusting events between the end of the reporting period and the date of authorisation.

Independent auditor's report

To the shareholders of Impresa Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Impresa Limited set out on pages 5 to 39 which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 to 4 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

20 April 2022