



AGRIHOLDINGS PLC – C57008

Level 1, SkyParks Business Centre

Malta International Airport

Luqa LQA 4000

(the “Company”)

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by the Company in terms of the rules of Prospects MTF.

Quote

The Company announces that the Annual Report and Financial Statements of the Company for the year ended 30th June 2021 were duly approved at the Meeting of the Board of Directors of the Company held today.

A copy of these documents is appended herewith and is also available online on: <https://agribankplc.com/company-documents/>

Unquote

A handwritten signature in black ink, appearing to read "D. Cassar", with a long horizontal line extending from the end of the signature.

Desiree Cassar

Company Secretary

Date: 12th October 2021

AGRIHOLDINGS PLC ANNUAL REPORT 2021

REGISTRATION NUMBER: C57008

TABLE OF CONTENTS

AgriHoldings PLC Annual Report 2021	1
Table of Contents.....	2
Directors' report for the year ended 30 June 2021	3
Corporate governance statement of compliance	7
Risk management and control	9
Risk concentrations.....	13
Credit Risk.....	14
Operational Risk.....	18
Liquidity and funding risk management	20
Foreign exchange translation regulatory risk	21
Capital management.....	22
Remuneration policy.....	24
Internal audit	25
Shares and Capital Instruments	26
Share register information.....	27
Statements of profit or loss and other comprehensive income for the year ended 30 June 2021	28
Statements of financial position as at 30 June 2021	29
Statements of changes in equity for the year ended 30 June 2021.....	30
Statements of cash flows for the year ended 30 June 2021	31
Notes to the financial statements	32
Cautionary Statement Regarding Forward-Looking Statements	81
Independent auditor's report	82

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors have the pleasure of submitting their ninth-annual report, together with the audited financial statements of AgriHoldings PLC ("the Company") as a standalone and consolidated financial statement which include its subsidiary AgriBank PLC (separately referred to as "the Bank") (together "the Group") for the year ended 30 June 2021.

Principal Activities

The Bank is licensed as a credit institution under the Banking Act, Cap.371 and is engaged in providing:

- corporate banking services in Malta;
- fee based invoice funding to companies in the European Union ("EU"), herein after referred to as 'factoring' or 'factored receivables';
- lending to the agricultural sector in the United Kingdom ("UK") as part of its old strategy; as well as
- lending for renewable energy project development and real estate in Malta and in the EU.

During the current year the Bank focused on expanding the corporate banking business whilst also improving the quality of the UK agricultural loan portfolio. In so doing the Bank placed particular emphasis on reducing the amount of non-performing loans ("NPLs") whilst also increasing the lending business in Malta.

Furthermore, the Bank invested heavily in a new Know Your Client ("KYC") system to optimize the onboarding and ongoing monitoring processes to support its growth targets. The Bank has also successfully managed to reduce its cost of funding by reducing the operative costs of maintaining deposits.

Agricultural lending is typically structured as secured lending, hire purchase agreements or finance leases with appropriate levels of collateral. Similarly, renewable energy lending is structured in the form of secured loans. The lending facilities are funded mainly via a combination of customer deposits and equity. The corporate banking services on the other hand include providing current accounts, payment services and foreign exchange services to Maltese registered companies. The Bank's deposits including its corporate accounts are covered by the Maltese Depositor Compensation Scheme.

During the current year, GBP450,350 of a shareholders' advance was converted to ordinary shares in the Bank. Moreover, AgriHoldings PLC invested EUR2,246,938 equivalent to GBP2,000,000 by way of a shareholder advance, which significantly increased the Tier 1 capital of the Bank.

Operational Overview

During FY2021, the Bank had the following strategy:

- Grow the corporate banking business in Malta;
- Grow the factoring business across the EU;
- Improve the quality of the UK agricultural loan portfolio; and
- Increase lending in Malta.

During the current year, the Bank registered growth in all business lines except for UK lending which was reduced by design.

Corporate Banking is the business line in which the Bank managed to register the highest growth rate. During FY2021, the revenue generated amounted to GBP 762k, an increase of GBP 319k over the previous year (FY2020: GBP 443k) which is equivalent to a growth rate of 72%. This was achieved by registering a 61% and 56% growth in new clients and accounts opened respectively. The level of transactions and payments associated with this business significantly increased by approximately 216%.

The Bank upgraded its core banking system and internet banking platform to improve its corporate banking customer experience. The Bank has also become SEPA accredited during September 2021 which allows the processing of SEPA payments. Additional projects are expected to be finished during the upcoming financial year such as an open banking solution and a transaction monitoring system.

In January 2021 AgriBank launched a EU wide factoring product whereby the Bank provides funding against amounts due on eligible receivables of a client. The product allows clients to use their receivables to fund their growth. This new product is a fee-based service and is primarily marketed to companies in the advertising technology sector. During the current period the Bank generated GBP62k of net income from this niche market.

As previously stated, improving the quality of the UK agricultural loan portfolio continued to be a priority for us. As at June 2021, the gross amount of NPLs decreased to GBP 1.8m from GBP3.52m reducing the NPL ratio from 20.85% to 9.16%. The Bank adhered to the NPL Recovery Plan, which involves amongst other things, following enforcement procedures, realizing the value of its collateral and refinancing through third parties.

Growing the Maltese lending portfolio was also a focus for us. Lending in Malta doubled to GBP3.7m during the current year. The main lending product is designed to finance projects within the renewable energy space. These projects are solar power projects which are being subsidized by the Maltese Government in an effort to meet the EU's Net-Zero targets. Other lending projects include real estate transactions in Malta and the EU, where the Bank's exposure stands at GBP1.7m.

In FY2021 the expected credit loss provisions on lending exposures amounted to GBP 392k (FY2020: GBP 281k), a net increase of GBP111k showing a prudential approach to the valuation of the lending whilst also reflecting the increased size of the portfolio.

During FY2021, the Bank has continued to invest in both IT and Human Resources to optimise its offering and manage its risks. New resources are expected to be employed to complement its 2nd line of defence.

The Board is pleased to report that the impact of the COVID-19 pandemic on the Group and Bank's performance has continued to be minimal. This is primarily because the Bank is not exposed to the tourism, hospitality or entertainment sectors. Notwithstanding this, COVID-19 is still being factored into the expected credit loss model as explained further in Note 1b to the financial statements.

As a consequence of Brexit and the reduction of lending in the UK, the collection of deposits in the UK ceased on 31st December 2020.

The Bank's capital position improved due to a contribution of GBP2m in shareholders' advances by Holdings. An application for a change in control of the Bank has been submitted to the ECB and the Malta Financial Services Authority (the "MFSA" or the "Regulator"). Once approved, a new investor group will take control of the Bank; and additional capital injections are expected.

Results

During the current year, net operating income increased by 14.7%, net interest income decreased by 14.5% and net fee and commission income increased by 162.7%. Commission income includes the income from the new factoring product. Year end results are mainly driven by the continuous growth of corporate banking and the amortisation in the UK lending portfolio. We anticipate these drivers to continue as they are consistent with the Bank's strategy.

Net operating income increased slightly from 60% to 62% as a percentage of gross income.

In view of the significant capital spent on the new IT systems, the Bank has controlled its operating costs. Revenue grew while general and administrative costs remained at the same levels as the year before. Personnel costs increased by 26% to drive growth and meet regulatory obligations.

For year ended June 2021, the Group registered a loss before tax of GBP 453,888 (2020: loss of GBP 314,087).

Capitalization

The capital adequacy ratio for the Group remained healthy at 32.11% (2020: 27.64%). The Bank has sufficient capital to grow its balance sheet.

Liquidity

The liquidity coverage ratio and the net stability ratio exceeded 100% which demonstrated the short-term and long-term stability of the Bank's funding.

Asset Quality

During the current year, the Group continued to dedicate significant time and resources to reduce non-performing loans reducing them to GBP1.8m (FY2020: GBP3.6m).

Principal risk and uncertainties

Credit risk

Credit risk is the risk that a counterparty defaults on the settlement of a financial contract. The Group adheres to its credit risk appetite as explained in the risk appetite framework and credit policy. The Board of Directors ("BoD") and the credit risk committee sanction all new lending and monitor the lending portfolio depending on their exposure.

Market risk

Market risk is the risk of loss on and off-balance sheet positions arising from adverse movements in market prices. The Group's market risk is mainly from currency mismatch on the balance sheet and interest rate risk on the government bond portfolio.

Operational risk

Operational risk is defined as the risk of loss resulting from executing its business plan which could be due to the failure of internal processes and systems or from external events. The Group is continuously investing in human resources, processes, and systems to reduce the risk of not meeting its operational targets.

Business & strategic risk

Business and strategic risk refers to the impact of poor business decisions, improper implementation of those decisions or lack of response to political, fiscal, regulatory, economic, cultural, market or industry changes. Business and strategic risks are continually monitored by the Board of Directors and procedures are in place to mitigate identified risks.

Financial risk management

The Group is made of the AgriHoldings PLC and its subsidiary the Bank where the Group's financial risk lies. The Group has a lending portfolio consisting of financial lending contracts valued at amortised cost. It is regularly tested for impairment. The Group also invested in Maltese government stocks to pledge in favour of the Depositors' Compensation Scheme which securities have been classified as carried at fair value through other comprehensive income. Other receivables are deemed to be recoverable at their carrying value within the short term.

The Group's debt funding comes from deposits and bonds, which feature fixed interest rates and terms. They are carried at amortised cost.

Basis of preparation of financial statements

Up till the signature date of the financial statements, COVID-19 pandemic effects on the Group's business were minimal. The Bank will remain vigilant and take any necessary action to mitigate any residual future negative effects. The financial statements are prepared on a going concern basis. After due consideration of the Group's revenue growth, liquidity, the statement of financial position, capital adequacy and solvency, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Results and dividends

For year ended June 2021, the Group registered a loss before and after tax of GBP 453,888 (2020: GBP 268,295). The loss before tax increased compared to the prior financial year as a result of increased personnel expenses and impairment losses. This was however offset by an overall increase in the corporate banking business and the new factoring business. General administrative costs increased proportionately to the increase in business.

Post-balance sheet events

After the balance sheet date, the Group changed its functional and reporting currency from GBP to EUR. This was due to the expected future growth of the Group's business denominated in the EU and the reduction of its activities in the UK. This is reinforced by the expected growth of the new factoring business and the expansion of the lending and corporate business in the EURO area.

Likely future business developments

The Group will continue to expand its Corporate Banking offering and its factoring business and continue to reduce its dependency on the UK Agricultural market. The Group will also continue to target niche lending mainly within the renewable energy, asset financing and real estate sector both in Malta and in the EU.

Board of Directors

The following directors served on the Board during the period from 1 July 2020 to date:

Mr Frank J. Sekula II (Non-Executive Chairman)

Dr Joseph Borg (Non-Executive Chairman retired on 1st November 2020)

Mr Victor Rizzo Giusti (Non-Executive Director)

Board of Directors (continued)

Mr Mario Vella (Non-Executive Director – retired on the 25th of November 2020)

Mr Stephen Muscat (Non-Executive Director)

Mr Jonathan Bellizzi (Chief Executive Officer and Director resigned 31st October 2020)

Mr Paul Grech (Chief Financial Officer and Director resigned 31st October 2020)

Mr Patrick Heininger (Non-Executive Director appointed on 30th August 2021)

The Bank has no branches, has undertaken no research and development and holds no own shares.

Preparation of Financial Statements and Directors' Responsibilities

The directors are required by the Companies Act (Cap.386) to prepare financial statements for each financial period in accordance with generally accepted accounting principles and practice, which give a true and fair view of the state of affairs of the Bank as at the end of the financial period and of the results of their operations and cash flows for the period then ended. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Banking Act (Cap. 371) and the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. They are also responsible for safeguarding the assets of the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After reviewing the Group's plans for the coming financial years, the directors are satisfied that at the time of approving the financial statements, it is appropriate to continue adopting the going concern basis in preparing the financial statements.

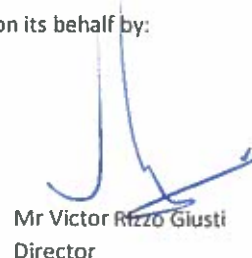
Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors, authorised for issue on the 12 October 2021 and signed on its behalf by:



Mr Stephen Muscat
Director



Mr Victor Rizzo Giusti
Director

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

A. INTRODUCTION

In order for a Prospects Multi Trading Facility Company ("MTF") to remain admitted on the exchange, the Prospects Rules issued by the Malta Stock Exchange require that the company shall comply with, provide equivalent disclosure or explain the extent to which it adheres to the relevant corporate governance standards, in this case Appendix 5.1 to the listing rules – The Code of Principles of Good Corporate Governance (the "Code"), published by the Competent Authority.

The Board of Directors (the "Board") is committed to the values of truth, transparency, honesty and integrity in all its actions. The Board strongly believes that the Group benefits from having in place more transparent governance structures and from improved relations with the market which enhance market integrity and confidence. The Board acknowledges that the Code recommends principles for the Board and the Bank's management to pursue objectives that are in the interest of the Group and its shareholders.

Good corporate governance is the responsibility of the Board, and in this regard the Board has adopted a corporate decision-making and supervisory structure that is tailored to its size, nature and operational needs. The Group consists of AgriHoldings PLC (the bond issuer) and AgriBank PLC as its sole subsidiary.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. The Board of AgriHoldings PLC is composed of a Non-Executive Chairman and three Non-Executive Directors.

The Board delegates specific responsibilities to the Audit Committee.

Principle 2: Chairman and Chief Executive Officer (CEO)

The Bank's current organisational structure incorporates the position of a CEO. The position of the Chairman and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions completely separate from one another. This separation of roles of the Chairman and the CEO avoids concentration of authority and power in one individual.

The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairman ensures that the CEO develops a strategy which is agreed to by the Board.

On the other hand, the CEO, besides being an Executive Director, leads the day-to-day operations of the Bank.

All the staff is on the Bank's books.

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being too large as to be unwieldy, is appropriate, considering the size of the Group and its operations. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the proper functioning of the Board.

Independence of Directors

During the period under review, the Board of AgriHoldings PLC consisted of 3 independent Non-Executive Directors and a non-independent Chairman whereas the Board of the Bank consisted of three Independent Non-Executive Directors (including the Chairman) and one Non-Independent Non-Executive Director and two Executive Directors.

The appointment of all Directors is subject to regulatory approval.

B. COMPLIANCE WITH THE CODE (CONTINUED)

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets approximately twice every three months unless further meetings are required for the Board to discharge its duties effectively. The Board discusses and decides upon matters relating to the Group's business.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives and business alternatives. The Board also monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to Board Committee.

The Board ensures that it has the appropriate policies and procedures in place, which guarantee that the Group and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

During the current financial year, the Boards for AgriHoldings plc met 10 times during which meetings all members attended.

Board Committee: the Audit Committee

The Audit Committee's terms of reference include the monitoring of the financial reporting process, the effectiveness of the Group's internal control, internal audit and risk management systems and the audit of the Group's annual and consolidated accounts. The Audit Committee has established internal procedures and monitors these on a regular basis. The Audit Committee also scrutinizes and approves related party transactions as per the Related Party Transaction Policy. The Audit Committee considers the materiality and the nature of the related party transactions carried out by the Group to ensure that the arms' length principle is adhered to at all times. The Audit Committee is also responsible for managing the Board's relationships with the external auditors.

In terms of Listing Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of three Non-Executive and Independent Directors and chaired by a warranted accountant.

During the current financial year, the Audit Committee met 4 times during which meetings all members attended.

Other principles of the corporate governance statement are not deemed to be relevant to AgriHoldings PLC.

RISK MANAGEMENT AND CONTROL

Overview of risk disclosures

The main risk of the Group lies with the subsidiary, AgriBank, referred to here on as either 'the Bank' or 'the Group' as the case may be. These disclosures have been prepared for the Bank in accordance with the Pillar 3 quantitative and qualitative disclosure requirements as governed by Banking Rule 07: Publication of Annual Report and Audited Financial Statements of Credit Institutions authorised under the Banking Act, 1994, issued by the Malta Financial Services Authority. These disclosures will be published by the Bank on an annual basis as part of the Annual Report. The Rule follows the disclosure requirements governed by Part Eight of the Capital Requirements Regulation (CRR) No.575/2013.

As per banking regulations, this report is not subject to an external audit, except to the extent that any disclosures are equivalent to those made in the financial statements which adhere to International Financial Reporting Standards (IFRS) as adopted by the EU. The Group is satisfied that internal verification procedures ensure that these additional regulatory disclosures are presented fairly.

Risk management and control principles

Managing and controlling risk is core to the Group's risk and control principles. When in full operation, AgriBank's approach to risk management and control is based on five principles:

- **business management throughout the Group is accountable** for all the risks assumed or incurred by their business operations and is responsible for the continuous and active management of risk exposures to ensure that risk and return are balanced;
- **an independent control process** is an integral part of the Group's structure. Its goal is to provide an objective check on risk-taking activities and to support senior management in achieving appropriate alignment of the interests of all stakeholders including shareholders, clients and employees;
- **comprehensive, transparent and objective risk disclosure** to senior management, committees of Bank, the Board of Directors (BoD), shareholders, regulators, and other stakeholders is an essential component of the risk control process;
- **earnings protection** is based on limiting the scope for adverse variations in earnings and exposure to stress events. Controls are applied at the level of individual exposures and portfolios in each business and to risk in aggregate, across all businesses and major risk types, relative to the Group's risk capacity. It specifically refers to the level of risk AgriBank is capable of absorbing, based on its anticipated earnings power; and
- **protection of the Group's reputation** ultimately depends on the effective management and control of the risks incurred in the course of business.

The principles are the foundation upon which the more detailed risk management and control frameworks are built. These frameworks comprise both qualitative elements, including policies and authorities, and quantitative components including limits. They are continually adapted and enhanced as AgriBank's business, and the market environment evolve.

Risk management and control responsibilities

The Board of Directors has a strategic and supervisory function. It is responsible for the Group's fundamental approach to risk, for approving the risk principles and for determining risk capacity and risk appetite. The Head of Risk is the executive responsible for risk policy and its implementation and enforcement.

The Audit Committee acts as the Risk Council of the BoD excluding Credit Risk. In this capacity, it oversees the risk profile of the Group on behalf of the BoD and oversees implementation of the risk management and control principles.

Risk management and control responsibilities (continued)

The **Credit Risk Committee** has the overall responsibility for the development, implementation, and enforcement of the Bank's credit risk principles. This includes establishing risk control frameworks, formulating risk policies, and determining methodologies for measurement and assessment of credit risk. The **Head of Credit** is the executive responsible for credit risk policy and its implementation and enforcement.

The **Onboarding Committee** has the overall responsibility for the onboarding of corporate accounts and the enforcement of AgriBank's risk appetite with respect to corporate account opening.

The **Chief Financial Officer (CFO)** is responsible for transparency in the financial performance of the Group and its business groups, including high-quality and timely reporting and disclosure in line with regulatory requirements, corporate governance standards and global best practice. The CFO is responsible for implementation of the risk principles in the areas of capital management, liquidity, funding, and tax and together with the **Chief Executive Officer** is responsible for operational risk issues.

The **Head of Risk** is responsible for implementing the risk principles in all areas of the Bank. Together with the **Head of Risk**, the **Head of Compliance** is also responsible for the legal and compliance risk areas. The **MLRO**, a separate individual within the Bank is responsible for preventing and detecting all financial crime risk originating from money laundering and terrorist financing. The **MLRO** is assisted by a deputy.

All employees, but in particular those involved in risk decisions, must make the protection of the Bank's reputation as an overriding concern. Responsibility for the Bank's reputation cannot be delegated or syndicated.

The risk control process

There are five key elements in the independent risk control process that have been implemented:

- **risk policies** implementing the risk principles, reflecting the Bank's risk capacity and risk appetite, which is consistent with the evolving business requirements and international best practice. The Bank's risk policies are principle-based, specifying minimum requirements, high-level controls and standards, and broad authorities and responsibilities – they are never a substitute for the exercise of sound business judgment but, rather, a guide in determining actions and decisions;
- **risk identification** through top-level governance, continuous monitoring of portfolios, assessment of risks in new businesses and complex or unusual transactions, and ongoing review of the risk profile in the light of market developments and external events;
- **risk measurement** using methodologies and models which are independently verified and approved;
- **risk control** by monitoring and enforcing compliance with risk principles, policies, and limits, and with regulatory requirements and by performing risk control self-assessments (RCSA) exercises; and
- **transparent risk reporting** to stakeholders, and to management at all levels, on all relevant aspects of the approved risk control framework, including limits.

The Group developed control processes around the establishment of new businesses, and the execution of complex or unusual transactions. These processes involve the business, and potentially all the control functions – risk control, legal, compliance, treasury, finance, tax, and logistics, as necessary. The objective is to ensure that all critical elements are addressed across disciplines. A key aspect is whether transactions can be dealt with in a way that will permit appropriate ongoing risk management, measurement, control, and reporting. The Group also invests in I.T. solutions to improve its processes whilst managing, controlling and monitor risks.

With the assistance of the **Head of Risk**, Senior management is tasked with compiling a dynamic **Risk Register** which defines, measures, and discloses the probability and impact of all risk areas separately and combined on the Group's asset and earning base, through quantitative and qualitative calculations.

Risk categories

Business risks are the risks associated with a chosen business strategy – it is business management's responsibility to respond to fundamental changes in the economic environment and the competitive landscape. Business risks are not subject to independent risk control but will be factored into the Bank's planning and budgeting process and the assessment of AgriBank's risk capacity and overall risk exposure. Business risks are also addressed in the Group's Business Continuity and Recover Planning (BCRP).

The primary and operational risks inherent in business activities are subject to independent risk control.

Primary risks are:

- **credit risk** – the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations. It arises on traditional banking products, such as loans and commitments, and on derivatives and similar transactions. A form of credit risk also arises on securities and other obligations in tradable form. Their fair values are affected by changing expectations about the probability of failure to meet obligations as well as actual failures. Where these instruments are held in connection with a trading activity, AgriBank controls the risk as market risk;
- **operational risk** - the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural. Operational risks must be monitored, and are controlled and mitigated to the extent possible and desirable; and
- **liquidity and funding risk** – the risk that Group might be unable to meet its payment obligations when due, or to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments.
- **Foreign exchange translation regulatory reporting risk** – the risk that the Group might be unable to meet the minimum regulatory capital requirement should the value of the GBP may be negatively impacted, as the Group's reporting currency is in Euro whilst many of its assets and funding is in GBP.

Quantitative controls

In principle, for risks that are quantifiable, the Group will be measuring potential loss at two levels – expected loss and stress loss.

Expected loss is the loss that is expected to arise on average over time in connection with an activity. It is an inherent cost of such activity and must be factored into business plans. For lending instruments carried at amortised cost, expected loss is estimated using the Group's expected credit loss model in accordance to IFRS 9. Allowances for impairments specific for each lending contracts based on the expected credit loss model are accounted for.

Stress loss is the loss that could arise from extreme events, typically beyond the confidence level of the statistical loss estimate and is normally a scenario-based measure.

Concentration controls complement portfolio risk measures. Controls are generally applied where the Group identifies those positions in different lending portfolios are affected by changes in the same risk factor or group of correlated factors and there is the potential for significant loss in the event of extreme but plausible adverse developments. AgriBank's concentration controls include credit limits for individual clients, counterparties, and counterparty groups.

"Earnings-at-risk" and "Capital-at-risk"

To complement the day-to-day operating controls, the Group has developed and implemented two concepts – "Earnings-at-risk" and "Capital-at-risk" – to assess aggregate risk exposure across risk types and businesses against its financial resources. These measures assess AgriBank's ability to absorb the potential loss inherent in its business in the current economic cycle, across all business lines, and from all major sources, including primary risks, operational risks and business risks.

Earnings-at-risk focuses on the Group's ability to absorb losses from current earnings, while **capital-at-risk** considers more extreme losses and their potential to lead to a breach of minimum regulatory capital requirements or, ultimately, to insolvency. Capital-at-risk is an input to the capital management process.

Risk capacity is the level of risk the Group considers itself capable of absorbing, based on its earnings power, without damage to its dividend paying ability, its strategic plans and, ultimately, its reputation and ongoing business viability. It is based on a combination of budgeted / forecast and historical revenues and costs, adjusted for performance-related compensation, and dividends and related taxes.

"Earnings-at-risk" and "Capital-at-risk" (continued)

Risk exposure is an estimate of potential loss based on current and prospective risk limits and risk positions across major risk categories – primary risks, operational risk and business risk. The measure builds on the statistical loss measures used in the day-to-day operating controls as far as possible, extending their time horizons where necessary, with adjustments and supplements determined by management to reflect known coverage gaps, measurement weaknesses and potential events. The results are combined to reflect potential correlations between the various risk categories under the severe scenarios envisaged.

A comparison of risk exposure with risk capacity serves as a basis for determining the appropriateness of current or proposed risk limits, and AgriBank's ability to pay a cash dividend out of its earnings. It is also one of the tools available to management to guide decisions on adjustments to the risk profile.

Risk appetite is established by the BoD, who set an upper limit on aggregate risk exposure in the form of a "risk exposure ceiling". It is appropriate that risk exposure should be less than risk capacity.

As with any model, Earnings-at-risk is heavily dependent on the many assumptions and estimates that are necessarily entailed in determining the inputs and generating the output, not least because risk exposure includes a combination of statistical and more judgmental elements. Measured risk exposure must be understood in this context. Risk capacity and risk exposure are, furthermore, dynamic measures, affected significantly by the external environment which will impact, for example, correlations between risk categories, the liquidity of AgriBank's positions, the potential to reduce or hedge them at reasonable prices, and AgriBank's funding costs.

Capital-at-risk builds on the Earnings-at-risk concept but assesses the potential for losses to exceed earnings capacity and erode capital. For Capital-at-risk, the analysis of risk exposure is essentially the same as for Earnings-at-risk but measured at two higher confidence levels – the first in relation to AgriBank's minimum regulatory capital requirement, and the second in terms of solvency.

The Capital-at-risk measure of aggregate risk exposure is an important consideration in the assessment of capital adequacy.

Like Earnings-at-risk, Capital-at-risk relies on the day-to-day risk control measures and will potentially underestimate aggregate exposure if these measures do not fully capture the risks.

Qualitative controls

Although measurement of risk is clearly important, quantification does not always tell the whole story, and not all risks are quantifiable. Due diligence, sound judgment, common sense and an appreciation of a wide range of potential outcomes – including a willingness to challenge assumptions – are key components of a strong risk culture for both risk management and risk control.

RISK CONCENTRATIONS

A concentration of risk exists where positions in the lending financial instruments are affected by changes in the same risk factor or group of correlated factors, and the exposure could, in the event of extreme but plausible adverse developments, result in significant losses. The identification of risk concentrations necessarily entails judgment about potential future developments, which cannot be predicted with certainty. In determining whether a concentration of risk exists, risk controllers consider a number of elements, both individually and in combination including the risk reward profile of the positions. If a risk concentration is identified, it is assessed to determine whether it should be reduced or the risk should be mitigated, and the available means to do so. Identified concentrations are subject to increased monitoring and to Pillar II capital allocation.

In view of Brexit and COVID-19 pandemic implications on the Group, the board of directors is closely following developments and is swiftly diversifying the Group's product offering from the UK market.

CREDIT RISK

The main risk of the Group lies with the subsidiary, AgriBank, referred to here on as either 'the Bank' or 'the Group' as the case may be. Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. This can be caused by factors directly related to the counterparty, such as business or management problems, or from failures in the settlement process, for example on a lending transaction, where the Bank honours its obligation, but the counterparty fails to deliver the counter-value (settlement risk). Alternatively, it can be triggered by economic, pandemic, or political difficulties in the country in which the counterparty is based or where it has substantial assets (country risk).

Sources of credit risk

Credit risk is inherent in lending products of the Bank namely asset financing through hire purchase and finance lease agreements and loans. The risk control processes applied to these products are fundamentally the same, and they are valued at amortised cost. Moreover, cash balances with other banks also carry a certain level of credit risk.

Credit risk control organization and governance

Effective credit risk control is critical to AgriBank's safety and soundness. The credit risk control framework is based on the risk management and control principles, supported by credit policies. It has both qualitative and quantitative elements. AgriBank has established processes to ensure that risks are identified, assessed, pre-approved where necessary, and continuously monitored and reported. Measures and limits are applied to the credit risk of individual counterparties and counterparty groups, and the quality and diversification of portfolios and sub-portfolios are assessed, a key objective being to control risk concentrations.

The Credit Risk Committee assesses the creditworthiness of individual counterparties and the adequacy and effectiveness of any security or credit hedges, and evaluates credit risk in portfolios, sub-portfolios and other aggregations, including country risk.

Subject to rigorous parameters, the Board of Directors had delegated to the Credit Risk Committee the approval of lending up to GBP1million or equivalent and to the Chief Executive Officer, and in his stead the Chairman of the Credit Risk Committee the approval of asset financing of wheeled assets up to GBP60,000 or equivalent. This authority will encompass all aspects of the approval of credit risk on moveable property collateralised deals, including settlement risk.

Credit risk control

Limits and controls

The Bank has established limits to constrain exposure to individual counterparties and counterparty groups and at portfolio and sub-portfolio levels, wherever risk concentrations are identified, including exposure to specific industries and countries, where appropriate.

At the level of the individual counterparty and counterparty group, the authorised officers will establish limits for all types of exposure. Credit engagements may not be entered into without the appropriate approvals and limits. When it comes to factoring, limits are also established based on the insurance limit issued by the insurance company for most of the debtors.

Limits apply in a variety of forms to portfolios or sectors, where necessary, to restrict risk concentrations or areas of higher risk, or to control the rate of portfolio growth. The impact of variations in default rates and asset values is assessed using stress scenarios, considering risk concentrations. Stress loss limits will be applied to portfolios when considered necessary, including limits on exposures. For all exposures, the credit quality, and cash flow generation capacity of the counterparty over the full term of the obligation are at the heart of the credit assessment.

Risk mitigation

AgriBank exerts risk mitigation techniques for its credit portfolios. For hire purchase financing and financial leasing, AgriBank holds legal title to the underlying assets for which the financing has been granted. Loan to Value ratios are kept below 90%. For land collateralised lending deals, loan to value ratios are normally kept below 65%. For factoring the Bank applies for insurance limits for most of the exposures. When an insurance limit is not granted, unsecured limits are accepted depending on the rating of the client.

Reporting

An essential element of the credit risk control process is transparent and objective risk reporting. The Head of Credit will be responsible for risk reporting covering both exposure to individual counterparties from all products and activities, and portfolio risks. The Head of Credit will also supply regular and ad hoc risk information to the Credit Risk Committee, the Board of Directors and Regulators where applicable.

Credit risk measurement

Credit risk measurement is an essential component of the credit risk control framework. The measurement of credit exposure from a loan which is fully drawn is straightforward. The assessment of portfolio risk also entails estimations of the likelihood of defaults occurring, of the associated loss ratios if they do, and of default correlations between counterparties.

AgriBank has developed tools to support the quantification of credit risk of individual counterparties, applying the three generally accepted parameters: probability of default, loss given default and exposure at default.

In line with AgriBank's internal governance standards and the requirements of the new regulatory capital framework (Basel III), the development and maintenance of models will conform to global standards, and the models and their components will be subject to independent verification before implementation. Models must comply with established measurement standards to ensure consistency and allow meaningful aggregation of credit risk across all businesses and will be reviewed and updated on an ongoing basis.

Credit risk parameters

Three parameters are used to measure and control individual counterparty credit risk:

- the **"probability of default"**, which is an estimate of the likelihood of the client or counterparty defaulting on its contractual obligations. This probability is assessed using rating tools tailored to the various categories of counterparties. Besides their use for credit risk measurement, ratings will be an important element in setting credit risk authorities;
- the likely recovery ratio on the defaulted claims, which is a function of the type of counterparty and any credit mitigation or support (such as security or guarantee), from which the **"loss given default"** is determined; and
- the current exposure to the counterparty and its possible future development, from which potential **"exposure at default"** is derived. In measuring individual counterparty exposure against credit limits, the Bank considers the **"maximum likely exposure"** measured to a high confidence level over the full life of all outstanding obligations, whereas in aggregating exposures to different counterparties for portfolio risk measurement, the expected exposure to each counterparty at a given time horizon (usually one year) generated by the same model is used.

These parameters are the basis for most internal measures of credit risk. The probability of default was increased on the whole lending portfolio in view of the COVID-19 pandemic and its slow-down effect on the UK and Maltese economy.

Expected loss

Credit losses must be expected as an inherent cost of doing business. But the occurrence of credit losses is erratic in both timing and amount, and those that arise usually relate to transactions entered in the previous accounting periods. In order to reflect the fact that future credit losses are implicit in today's portfolio, AgriBank uses the concept of **"expected loss"**.

Expected credit loss is a statistically based concept which is used to estimate the annual costs that are expected to arise, on average, from positions in the current portfolio that become impaired. The expected loss for a given credit facility is a function of the three components described above – probability of default, loss given default and exposure at default. The expected loss figures for individual counterparties are aggregated to derive the expected credit loss for the whole portfolio.

Expected loss is the foundation of credit risk quantification in all portfolios. It is an input to the valuation or pricing of some products, and the determinant of credit risk costs charged to the business in the management accounts, differs from the credit loss expense reported under International Financial Reporting Standards (IFRS). As from the prior financial year, AgriBank has fully adopted the Expected Credit Loss Model for accounting in accordance with IFRS 9. Expected loss is also the starting point for the measurement of portfolio statistical loss and stress loss.

Composition of credit risk

The measures of credit risk differ, depending on the purpose for which exposures are aggregated – financial accounting under IFRS, the determination of regulatory capital, and AgriBank's own internal management view, i.e. the way credit portfolio risk is managed.

Total gross credit exposure as at 30 June 2021 for the Bank increased to GBP 42,098,311 (2020: GBP 37,681,334) inclusive of hire purchase and finance leases financing and loans (Note 33 to Financial Statements).

Settlement risk

Settlement risk arises in transactions involving exchange of value when the Bank must honour its obligation to deliver without first being able to determine that the counter-value has been received.

Impairment and default – distressed claims

AgriBank has classifications for distressed claims.

A loan carried at amortised cost is considered to be "past due" when a payment due has been missed. It is classified as "non-performing" where payment of interest, principal or fees is overdue by more than 90 days; or when insolvency proceedings have commenced against the borrower. When obligations have been restructured on concessionary terms, the loan is classified as "forborne".

Any claim, regardless of accounting treatment, is classified as "impaired" if AgriBank considers it probable that it will suffer a loss on that claim as a result of the obligor's inability to meet its obligations according to the contractual terms, and after realization of any available collateral. "Obligations" in this context include interest payments, principal repayments, or other payments due.

Impairment under amortised cost valuation is recognised through the creation of an allowance or provision, which is charged to the statements of comprehensive income as credit loss expense. Portfolios of claims carried at amortised cost with similar credit risk characteristics are also assessed for collective impairment. A portfolio is considered impaired on a collective basis if there is objective evidence to suggest that it contains impaired obligations, but the individual impaired items cannot yet be identified.

AgriBank reviews individual positions for impairment only after they have been in arrears for a certain time. Thus, to cover the time lag between the occurrence of an impairment event and its identification, collective loan loss allowances are established, based on the expected loss measured for the portfolio over the average period between trigger events and their identification for individual impairments.

Past due but not impaired loans

Past due but not impaired loans have suffered missed payments but are not considered impaired because AgriBank expects ultimately to collect all amounts due under the contractual terms of the loans or with equivalent value.

Impaired loans, allowances, and provisions

There were impaired lending agreements and allowances specific for impairment on each lending contract based on the expected credit loss model as at 30 June 2021.

In general, AgriBank's practice is to treat loans and financial leases as non-performing exposures when upcoming cash flow problems of the clients are detected or if such exposures have exceeded the 90 days past due on their repayments.

AgriBank will execute foreclosures by taking possession and disposing of the underlying assets to which it holds as security. Collaterals liquidated in the most expeditious manner and at prices considered fair. This may require that it purchases assets for its own account, where permitted by law, pending orderly liquidation.

Credit loss expense

AgriBank's financial statements are prepared in accordance with IFRSs, under which, credit loss expense charged to the statements of comprehensive income in any period is the sum of net allowances based on the expected loss concept described under "Credit risk measurement" and direct write-offs minus recoveries arising in that period.

Rating system design and estimation of credit risk parameters

Probability of default

AgriBank assesses the likelihood of default of individual counterparties using rating tools tailored to the various counterparty segments. The performance of rating tools, including their predictive power with regard to default events, is regularly validated and model parameters are adjusted as necessary.

Loss given default

Loss given default represents AgriBank's expectation of a loss should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit mitigation. Loss given default estimates the loss of principal, interest, and other amounts due (including work-out costs), and also takes into account the costs of carrying the impaired position during the work-out process.

Exposure at default

Exposure at default represents the amounts AgriBank expects to be owed at the time of default. For outstanding loans, the exposure at default will be the drawn amount or face value. For loan commitments and for contingent liabilities, it includes any amount already drawn plus the further amount which is expected to be drawn at the time of default, should it occur. This calculation is based on a "credit conversion factor", a fixed percentage per product type derived from historical experience of drawings under commitments by counterparties within the year prior to their default.

OPERATIONAL RISK

The main risk of the Group lies with the subsidiary, AgriBank, referred to here on as either 'the Bank' or 'the Group' as the case may be. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external causes, whether deliberate, accidental, or natural. It will be inherent in all AgriBank's activities, not only in the business the Bank conducts but due to the fact it is a business – because AgriBank is an employer, it may own and occupy property and hold assets, including information, belonging to both the Bank, as well as its clients. The approach to operational risk is not designed to eliminate risk per se but, rather, to contain it within acceptable levels, as determined by senior management, and to ensure that the Bank have sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses. The CEO, the CFO and Head of Risk share the responsibility for the independence, objectivity, and effectiveness of the operational risk framework.

Operational risk framework

Every function, whether a front-end business or a control or logistics unit, must manage the operational risks that arise from its own activities. Because these risks are all pervasive, with a failure in one area potentially impacting many others, the Bank's framework will be based on mutual oversight across all functions. Each area of operations will therefore have established cross-functional cooperation with the Risk Management unit as an integral part of its governance structure, to actively manage operational risk.

The foundation of the operational risk framework is the definition by all functions of their roles and responsibilities so that, collectively, they can ensure that there is adequate segregation of duties, complete coverage of risks and clear accountability. From this analysis, they will develop control objectives and standards to protect the Bank's tangible and intangible assets and interests, based on the types of operational risk events that might arise, ranging from daily reconciliation problems to potentially severe events such as fraud. The Bank recognizes that it cannot eliminate all risks, because errors and accidents will always happen, and that even where it is possible it is not always cost effective to do so. AgriBank's internal control framework will differentiate potential events depending on their likely frequency and impact. Its mitigation and avoidance efforts will be focused on areas where the Bank believes it is most exposed to severe events – including both those that are reasonably foreseeable and those that, while not predictable, are thought to be reasonably possible. For lower impact risks AgriBank will concentrate on management and monitoring.

The functions will monitor compliance with their controls and assess their operating effectiveness in several ways, including self-certification by staff, and evaluation of responses by management. The implications of internal and external audit findings and other relevant sources of information will also be assessed. Furthermore, the Head of Risk conducts an RCSA exercise on all processes of the Bank. During this exercise any gaps in the Bank's controls are identified and addressed.

As major operational risk events occur, AgriBank will assess their causes and the implications for its control framework, whether or not they lead to direct financial loss. This will include events affecting third parties that are relevant to the Bank's business if sufficient information is made public. It is important to use all available information to test the control framework because, even if an internal event does not lead to a direct or indirect financial loss, it may indicate that AgriBank's standards are not being complied with.

The totality of this information will be reviewed by functional managers to assess their operational risk exposure and the actions needed to address specific issues. These issues will be formally captured on the risk register, which will form the basis of reporting to the board of directors.

Operational risk measurement

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems, or from external events. The Bank's policy sets forth a framework for the identification, management, monitoring and reporting on the Bank's exposure to this risk.

When internal controls fail, operational risk can adversely affect the Bank's reputation, have legal or regulatory implications, and / or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through its control framework and by monitoring and responding to potential risks effectively. Controls include appropriate segregation of duties, ensuring that staff members have appropriate expertise and training and regular verification and reconciliation of transactions and accounts.

Operational risk measurement (continued)

The Group also has a business continuity plan (BCP) in place, which is regularly updated and provides a standard procedure that must be followed in the eventuality that a disruption affects its operations, to ensure that resumption of core services and critical functions is carried out in an efficient and prioritised manner. The likelihood and / or impact of particular events may also be mitigated through the Bank's comprehensive insurance coverage which is monitored and renewed annually.

The Group continues to invest in IT within its activities and strengthen its online presence, while cognisant of the evolving cyber threats landscape. The Bank maintains zero tolerance to events that could compromise the confidentiality and integrity of data as well as the availability of its IT systems. The Bank made extra investments in IT in order to facilitate remote working for its employees in view of COVID19-pandemic.

The Group does not set limits on operational risk but will report the measured risk through the standard reporting processes. It allocates capital for operational risk in line with the basic indicator approach as regulated in the Capital Requirement Regulation.

LIQUIDITY AND FUNDING RISK MANAGEMENT

The main risk of the Group lies with the subsidiary, AgriBank, referred to here on as either 'the Bank' or 'the Group' as the case may be. Liquidity risk is the risk of being unable to raise funds to meet payment obligations when they fall due. Funding risk is the risk of being unable, on an ongoing basis, to borrow funds in the market at an acceptable price to fund actual or proposed commitments and thereby support AgriBank's current business and desired strategy. Liquidity and funding are not the same, but they are closely related, and both are critical to a credit institution.

Liquidity must be continuously managed to ensure that the Bank can survive a crisis, whether it is a general market event, a localised difficulty affecting a smaller number of institutions, or a problem unique to an individual firm. An institution that is unable to meet its liabilities when they fall due may collapse, even though it is not insolvent, because it is unable to borrow on an unsecured basis or does not have sufficient good quality assets to borrow against or liquid assets to sell to raise immediate cash.

Liquidity approach

AgriBank's approach to liquidity management is to ensure that it will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to its business.

Central to the integrated framework is an assessment of all material, known and expected cash flows and the level of high-grade collateral that could be used to raise additional funding. It entails both careful monitoring and control of the daily liquidity position, and regular liquidity stress testing.

The liquidity position will be assessed and managed under a variety of potential scenarios encompassing both normal and stressed market conditions. The Bank will consider the possibility that its access to markets could be impacted by a stress event affecting some part of its business or, in the extreme case, if it was to suffer a period of general market uncertainty.

Liquidity management

The Bank will manage its liquidity position in order to be able to ride out a crisis without damaging the ongoing viability of its business. This is complemented by the Bank's funding risk management which aims to achieve the optimal liability structure to finance its businesses cost-efficiently and reliably. The long-term stability and security of AgriBank's funding in turn will help protect its liquidity position in the event of an AgriBank-specific crisis.

Liquidity modelling and contingency planning

The liquidity position – the net cumulative funding requirement for a specific day – will be projected under cautious assumptions on a weekly basis from the current day out to one month to produce a cumulative "cash ladder". The short-term cash ladder is the tool used by Finance to manage net daily funding requirements efficiently and monitor liquidity exposure against limits set by the BoD.

AgriBank will also be regularly assessing the impact of a liquidity crisis scenario, combining a firm-specific crisis with market disruption, and focusing on a time horizon starting with overnight and extending up to each finance product lifetime horizon. This AgriBank-specific scenario envisages large drawdowns on otherwise stable client deposits, an inability to renew or replace maturing unsecured funding and limited capacity to generate liquidity from trading assets. Liquidity crisis scenario analysis will support the liquidity management process so that immediate corrective measures, such as the build-up of a liquidity buffer to absorb potential sudden liquidity gaps, can be put in place.

The starting point for stress testing analyses will be a breakdown of the contractual maturity of AgriBank's assets and liabilities. Since a liquidity crisis could have a myriad of causes, the Bank will focus on a scenario that encompasses all potential stress effects across all markets, currencies, and products.

The assessment will include the likelihood of maturing assets and liabilities being rolled over in an AgriBank-specific crisis and gauge the extent to which the potential crisis-induced shortfall could be covered by available funding. It will also factor in potential liquidity outflows from contingent liabilities, in particular those resulting from the drawdown of committed credit lines.

Liquidity needs may also result from commitments and contingencies, including credit lines extended to secure the liquidity needs of clients. AgriBank will be regularly monitoring undrawn committed credit facilities and other latent liquidity risks.

Liquidity limits and controls

While its estimated capacity to generate liquidity when required will naturally vary, AgriBank will generally apply a constant limit structure, which imposes a ceiling on the projected net funding requirement along the cash ladder. Limits are based on the amount of cash AgriBank believes it could raise in a firm-specific crisis.

As part of the internal liquidity assessment adequacy process, "ILAAP" process, the Bank will also be developing fallback plans for liquidity crisis management, the cornerstone of which is the Bank's access to secured funding either from the market mainly through deposits or through interbank lending or through central bank collateralised lending, coupled with the ability to turn sufficient liquid assets into cash within a short time frame.

Liquidity ratios

In addition to the limits and controls described above, the Bank will also measure two ratios to monitor liquidity risk.

The Liquidity coverage ratio which addresses short term liquidity (one month) on a monthly basis. Banks will need to have sufficient liquidity to cover all projected outflows on a stress-tested basis, and without relying on any parent bank funding.

The Net Stable Funding Ratio which aims at ensuring a sound funding structure over one year in an extended stress scenario. Assets have to be matched, to a predetermined extent depending on their liquidity profile at a one-year horizon, with sources of funding that can be considered stable over the same one-year horizon.

Funding

Through broad diversification of its funding sources (by market, product, and currency), AgriBank plans to create and maintain a well-balanced portfolio of liabilities, which will generate a stable flow of financing and provide protection in the event of market disruptions. This, together with its centralised funding management, will enable the Bank to pursue a strategy of efficient funding of business activities.

Funding approach

Short to medium- and long-term funding activities will be planned by assessing the overall funding profile of the balance sheet, taking due account of the effective maturity of the asset base and the amount of maturing debt that will have to be replaced. The ability to continue to fund ongoing business activities through periods of difficult market conditions is also factored in.

To ensure that a well-balanced and diversified liability structure is preserved, the asset liability role will routinely monitor the Bank's funding status and report its findings on a regular basis to the BoD.

FOREIGN EXCHANGE TRANSLATION REGULATORY RISK

Foreign exchange risk is the risk that the Bank's financial performance and position will be affected by fluctuations which take place in the exchange rates between currencies. This risk can take place when a financial transaction is undertaken using a currency which differs to the base currency of the Bank and value is lost before the transaction is completed. Moreover, in the case of AgriBank, as the Bank reports to the regulator in EURO whilst maintaining several assets and funding in GBP, should the value of the sterling drastically deteriorate, the Bank risks not meeting its regulatory requirements when converting its values to Euro.

Control

The Group monitors daily the exchange rates in order to ensure that capital requirements are always met. Furthermore, the Bank conducts stress testing on the exchange rates, based on historical data, to ensure that it maintains enough buffer at all times, should the sterling deteriorate drastically.

CAPITAL MANAGEMENT

The main risk of the Group lies with the subsidiary, AgriBank, referred to here on as either 'the Bank' or 'the Group'. In managing its capital, AgriBank will consider a variety of requirements and expectations. Sufficient capital must be in place to support current and projected business activities, according to both AgriBank's own internal assessment and the requirements of its regulators, in particular its regulator, the Maltese Financial Services Authority (MFSA).

Capital is also managed in order to achieve sound capital ratios that ensure that AgriBank remains a well-capitalised firm in the banking sector. This will be crucial in retaining clients' confidence in the Bank's financial strength and also in supporting the Bank's funding position and favourable borrowing costs in the international financial markets.

The Bank aims to maintain sound capital ratios at all times, and it therefore considers not only the current situation but also projected developments in both its capital base and capital requirements. The main tools by which AgriBank manages the supply side of its capital ratios will be active management of capital instruments and dividend payments.

Capital adequacy management

Ensuring compliance with minimum regulatory capital requirements and targeted capital ratios is central to capital adequacy management. In this ongoing process, AgriBank manages towards Tier 1 and Total capital target ratios. In the target setting process AgriBank takes into account the regulatory minimum capital requirements and regulators' expectations that the bank holds additional capital above the minimum and the internal assessment of aggregate risk exposure in terms of Capital-at-risk.

Capital requirements

At 30 June 2021, AgriBank was subject to regulatory guidelines based on the Basel III framework established by the Basel Committee on Banking Supervision ("BIS guidelines / ratios"). The capital it is required to hold is determined by its risk-weighted assets – its balance sheet, off-balance sheet and market risk positions, measured and risk-weighted according to criteria defined by the Malta financial services authority. Under BIS guidelines, a financial institution's eligible capital must be at least 8% of its total risk-weighted assets.

AgriBank measures on- and off-balance sheet claims according to regulatory formulas. Claims are weighted according to type of counterparty and collateral. The least risky claims, such as claims on OECD governments and claims collateralised by cash, are weighted at 0%, meaning that no regulatory capital support is required, while the claims deemed most risky, including unsecured claims on both corporate and private clients, are weighted at 100%, meaning that 8% capital support is required.

Securities not held for trading are treated as claims, based on the net position in the securities of each issuer, including both actual holdings and exposures from derivative instruments. The Bank's investments in entities which are consolidated under International Financial Reporting Standards (IFRS) and which are not active in the field of banking and finance (including consolidated industrial holdings) are treated for regulatory capital purposes as positions in securities not held for trading.

The Bank will initially be controlling and reporting as per Basel III Standardised approach of allocating capital with the intention to develop its processes and information systems to arrive at the Internal Rating / Advanced approach in a reasonable time span necessary.

Other assets, most notably property and equipment, and intangibles are not subject to credit or market risk, but they represent a risk to the Bank in respect of their potential for write down and impairment and therefore require capital underpinning in accordance with regulatory formulas.

Risk-weighted assets (BIS)

On 30 June 2021, total risk-weighted assets for the Bank were GBP 22,407,230 (2020: GBP 20,770,894).

Eligible capital

The capital available to support risk-weighted assets – eligible capital – consists of Tier 1 and Tier 2 capital. To determine eligible Tier 1 and total capital, adjustments have to be made to shareholders' equity as defined under IFRS, most notably by deducting intangible assets and investments in unconsolidated entities engaged in banking and finance activities.

Eligible capital is the same under BIS guidelines and MFSA regulations.

Tier 1 capital / AgriBank shares

The majority of Tier 1 capital comprises share capital injected at inception of the Bank as reduced by the accumulated losses for the year attributable to the Bank's shareholders. As of 30 June, 2021, total IFRS equity attributable to the Bank's shareholders amounted to GBP 6,246,273 (2020: GBP4,621,792), which serves as the basis for determining the regulatory eligible Tier 1 capital.

Hybrid Tier 1 capital

Hybrid Tier 1 instruments are perpetual instruments that can only be redeemed if they are called by the issuer. The payment of interest is subject to compliance with minimum capital ratios and any payment missed is non-cumulative. As at 30 June 2021, there were no hybrid Tier 1 instruments issued by the Bank.

On 30 June 2021, BIS Tier 1 capital of the Bank was GBP 6,155,641 (2020: GBP 4,353,995) reflecting primarily the capital of the Bank at inception less accumulated losses thereon.

Tier 2 capital

Tier 2 capital consists mainly of subordinated long-term debt that ranks senior to both AgriBank shares and hybrid Tier 1 instruments but is subordinated with respect to all senior obligations of AgriBank. As at 30 June 2021, there were GBP 1,447,364 (2020: GBP1,541,534) subordinated debt in issue with GBP 1,014,345 (2020: GBP1,387,380) which qualify as Tier 2 instruments.

Capital ratios

The BIS ratios compare the amount of eligible capital (in total and Tier 1) with the total of risk-weighted assets.

Future capital ratios will depend on, among other factors, developments in financial markets and their impact on profit and loss, valuations and capital requirements for market risk; the development of the credit quality of the Bank's obligors and counterparties; future issuances of capital instruments; capital requirements for operational risk; and future changes in the regulatory frameworks.

REMUNERATION POLICY

During the current period, the Group has been developing its Remuneration Policy which is based on the following principles:

- Clarity and transparency for all stakeholders;
- Adherence to the Bank's long-term objectives with reference to the relevant level of risk involved in attaining these goals;
- Maintaining a reasonable proportion between the fixed and variable part of the remuneration package;
- The review of the annual staff remuneration considers the Bank's results, performance, as well as local market trends in the financial sector and individual performance in view of the risk level involved in the long term; and
- Market data is considered and target remuneration brackets per job position are set in view of level of expertise, years in the position, attraction of talent and high performers.

The remuneration paid during the current period to the executive directors, whose actions have a material impact on the risk profile of the Group was GBP 222,830 (2020: GBP 211,808). Directors' fees paid to non-executive directors during the period for the Bank were GBP 121,733 (2020: GBP 96,724).

INTERNAL AUDIT

During the financial year ended 30 June 2021, the Group continued its internal audit programme which is outsourced to an independent professional services firm. The internal audit supports and reports to the Bank's Audit Committee by independently assessing the effectiveness of the Bank's system of internal controls and compliance of the Bank with statutory, legal and regulatory requirements. The Audit Committee approves the internal auditors' audit programmes, analyses and reviews the audit findings and follows up on implementation of changes and improvements in controls and procedures as a result of the internal auditors' findings. Accordingly, all key issues raised by internal audit are communicated through the Audit Committee to the management responsible from the risk and control areas.

Internal audit has unrestricted access to all accounts, books and records and is provided with all information and data needed to fulfil its duties. Coordination and close cooperation with the external auditors are important to enhance the efficiency of the internal auditor's work.

Four internal audit reports have been approved up till the end of year date.

SHARES AND CAPITAL INSTRUMENTS

Shares

AgriBank shares and Tier 1 capital

The majority of Tier 1 capital comprises ordinary share capital attributed to AgriBank shareholders. As at 30 June 2021, total equity as reported in the financial statements attributable to the Group amounted to GBP 6,246,273 (2020: GBP 4,621,792). This serves as the basis for determining the regulatory eligible Tier 1 capital, and was represented by a total of GBP6,950,000 (2020: GBP6,500,000) issued AgriBank shares, shareholders' advances of GBP 2,189,260 (2020: GBP 639,089) and an accumulated loss of GBP 3,085,755 (2020: GBP 3,014,516) and non-distributable reserves of GBP 192,419 (2020: GBP 496,700). Each outstanding share has a par value of GBP 1 and entitles the holder to one vote at the shareholders' meeting and to receive a proportionate share of the dividend that is distributed. There are no preferential rights for individual shareholders. There is 1 Ordinary share Class B issued by the Group which however does not give entitlement to any voting rights or dividends.

6,500,000 Ordinary Shares were issued during the year ended 30 June 2013 and 450,350 Ordinary Shares added during the year ended 30 June 2021. All Ordinary Shares were issued at GBP1 each. During the current year, a further GBP 2,000,000 were invested in the Bank in the form of shareholders' advance. Capital Instruments

Hybrid Tier 1 capital

Hybrid Tier 1 instruments are perpetual instruments which can only be redeemed if they are called by the issuer. If such a call is not exercised at the respective call date, the terms might include a change from fixed to floating coupon payments and, in the case of innovative instruments only, a limited step-up of the interest rate. Non-innovative instruments do not have a step-up of the interest rate and are therefore viewed as having a higher equity characteristic for regulatory capital purposes. The instruments are issued either through trusts or subsidiaries of AgriBank and rank senior to AgriBank shares in dissolution. Payments under the instruments are subject to the adherence to minimal capital ratios by AgriBank. Any payment missed is non-cumulative.

As at 30 June 2021, AgriBank had not issued any hybrid instruments.

Tier 2 capital

During the year ended 30 June 2021, AgriBank had GBP 1,447,364 (2020: GBP 1,541,534) of Subordinated debt in issue at par value of GBP 1 which instrument qualifies as a Tier 2. The amount of subordinated debt which qualifies as Tier 2 is equivalent to GBP 1,014,345 (2020: GBP 1,387,380).

Distributions to shareholders

From its inception up till year end, AgriBank never paid any dividend to shareholders registered as of the date of the AGM (the record date) due to accumulated losses registered.

The level of the dividend is dependent on AgriBank's targeted capital ratios and the cash flow generation of the Bank.

Although it is the Board of Directors that proposes the payment of dividends the decision on dividend payments falls under the AGM's authority and is subject to shareholder approval.

For the period ended 30 June 2021, the Board of Directors proposes that no dividend shall be paid to the shareholders i.e., the parent company of the Bank.

Cash dividend payments are deducted from the Bank's net profits and retained earnings, which are some of the major components of the Bank's core (Tier 1) capital. In contrast, by issuing new shares in lieu of a dividend cash payment, the level of AgriBank's (Tier 1) capital base is maintained.

SHARE REGISTER INFORMATION

Directors' direct or indirect interest in the share capital of the Company as at 30 June 2021 and 2020:

None

As at 30 June 2021 and 2020 the Company's issued share capital was held by 2 shareholders. The share capital of the Group and the Company consists of one class of ordinary "A" shares with equal voting rights and one class of ordinary "B" shares with no voting rights and no entitlement to dividends.

Shareholders holding 5% or more of the equity capital consist of:

Shareholder	30 June 2021		30 June 2020	
	Number of shares held	% of shares	Number of shares held	% of shares
Trams of Malta Limited	40,000	49.99	40,000	49.99
Westmoreland Investments LTD	40,000	50.01	32,800	40.99
Sun Fin Limited	-	-	7,200	9.00

There were no further changes in shareholders' holding of 5% or more of the equity share capital until 12th October 2021 the date these financial statements were approved.

Company Secretary

Dr. Desiree Cassar

Registered Address

Level 1, SkyParks Business Centre
Malta International Airport
Luqa LQA 4000
Malta

Tel +357 2092 6000

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

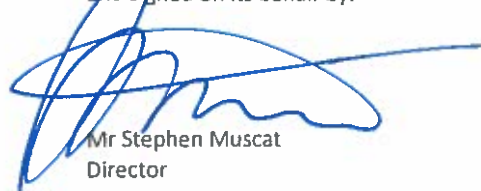
		Notes			
		The Group		The Company	
		Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
		GBP	GBP	GBP	GBP
Revenue					
Interest income	2	1,234,645	1,591,311	72,050	71,939
Interest expense	3	(435,732)	(585,338)	(159,581)	(91,991)
Net interest income		798,913	1,005,973	(87,531)	(20,052)
Fee and commission income		1,013,237	480,573	155,019	153,980
Fee and commission expense		(302,275)	(226,952)	(7,593)	(7,593)
Net fee and commission income	4	710,962	253,621	147,426	146,387
Net operating income before net impairment losses		1,509,875	1,259,594	59,895	126,335
Net impairment losses	7	(117,972)	(17,722)	-	-
Net operating income		1,391,903	1,241,872	59,895	126,335
Employee compensation and benefits	5	950,390	754,125	-	-
General administrative expenses	6	706,131	627,491	180,338	131,914
Amortisation of intangible assets	17	77,100	61,928	52,940	40,215
Depreciation of property, plant and equipment	18	47,264	48,125	-	-
Depreciation of right of use of assets		64,906	64,290	-	-
Total expense		1,845,791	1,555,959	233,279	172,129
Loss before tax	8	(453,888)	(314,087)	(173,383)	(45,794)
Income tax credit	9	-	-	-	-
Loss for the year		(453,888)	(314,087)	(173,383)	(45,794)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net gain on debt investments measured at FVTOCI	31	(92,215)	39,751	-	-
Other comprehensive income for the year, net of tax		(92,215)	39,751	-	-
Other comprehensive loss for the year		(546,103)	(274,336)	(173,383)	(45,794)

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

		Notes			
			The Group	The Company	
		2021	2020	2021	2020
		GBP	GBP	GBP	GBP
Assets					
Balance with Central Bank of Malta, and cash and cash equivalents	10	18,922,008	16,870,276	6,760	7,101
Investments measured at amortised cost	11	172,584	183,684	-	-
Fair value through other comprehensive income investments	12	2,101,166	2,324,505	-	-
Finance lease receivable	13	7,376,707	9,648,149	-	-
Loans to customers	14	8,822,182	6,644,780	-	-
Factored receivables	15	2,246,236	-	-	-
Right-of-use assets	16	85,337	150,244	-	-
Investment in subsidiary	20	-	-	8,950,350	6,950,350
Investment in subordinated debt		-	-	1,447,364	1,541,534
Intangible assets	17	433,904	315,449	398,156	258,734
Property, plant and equipment	18	78,286	121,032	-	-
Deferred tax	19	-	-	-	-
Assets held for realisation	38	217,500	431,401	-	-
Other assets	21	1,222,224	584,523	13,902	2,939
Prepayments and accrued income	22	201,988	298,421	138,631	129,201
Total assets		41,880,122	37,572,464	10,955,163	8,889,859
Liabilities					
Amounts owed to customers	23	32,510,673	29,571,441	-	-
Debt securities in issue	24	3,583,312	1,903,074	3,533,312	1,633,074
Other liabilities	25	1,147,836	583,664	733,280	429,537
Accruals	26	657,894	911,970	83,838	49,132
Lease liabilities	16	76,952	152,755	-	-
Total liabilities		37,976,667	33,122,904	4,350,430	2,111,743
Equity					
Share capital	27	80,001	80,001	80,001	80,001
Shareholders' advances	28	7,059,609	7,059,609	6,870,350	6,870,350
General banking risk reserve	29	78,918	134,785	-	-
Excessive NPL Reserve	30	54,884	211,083	-	-
Fair Value Reserve	31	58,617	150,832	-	-
Accumulated losses		(3,428,574)	(3,186,751)	(345,618)	(172,235)
Total equity		3,903,455	4,449,559	6,604,733	6,778,116
Total liabilities and equity		41,880,122	37,572,464	10,955,163	8,889,859
Memorandum Items					
Total commitments	32	1,752,160	-	-	-
Total contingent liabilities	33	42,974	-	-	-

The official middle rate of exchange issued by the European Central Bank between GBP Sterling and Euro as at 30 June 2021 was EUR: GBP 0.8595 (2020: EUR: GBP 0.9154). The notes on pages 32 to 79 are an integral part of these financial statements.

The financial statements on pages 28 to 79 were approved by the Board of Directors and authorised for issue on 12 October 2021 and signed on its behalf by:


Mr Stephen Muscat
Director


Mr Victor Rizzo Giusti
Director

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

The Group	Share Capital and Advances	Accumulated losses	General banking risk reserve	Excessive NPL Reserve	Fair value reserve	Total
	GBP	GBP	GBP	GBP	GBP	GBP
At 1 July 2019	6,689,260	(2,670,119)	143,326	-	111,081	4,273,548
Increase in shareholders' advances	450,350	-	-	-	-	450,350
Transfer to general banking risk reserve	-	8,541	(8,541)	-	-	-
Transfer to excessive NPL reserve	-	(211,083)	-	211,083	-	-
Loss for the year	-	(314,089)	-	-	-	(314,089)
Other comprehensive income for the year	-	39,751	-	-	-	39,751
	<u>7,139,610</u>	<u>(3,146,999)</u>	<u>134,785</u>	<u>211,083</u>	<u>111,081</u>	<u>4,449,560</u>
Transfer to fair value reserve	-	(39,751)	-	-	39,751	-
At 1 July 2020	<u>7,139,610</u>	<u>(3,186,750)</u>	<u>134,785</u>	<u>211,083</u>	<u>150,832</u>	<u>4,449,560</u>
Increase in shareholders' advances	-	-	-	-	-	-
Transfer to general banking risk reserve	-	55,867	(55,867)	-	-	-
Transfer to excessive NPL reserve	-	156,199	-	(156,199)	-	-
Loss for the year	-	(453,888)	-	-	-	(453,888)
Other comprehensive loss for the year	-	(92,215)	-	-	-	(92,215)
	-	(334,037)	(55,867)	(156,199)	-	(546,103)
Transfer to fair value reserve	-	92,215	-	-	(92,215)	-
At 30 June 2021	<u>7,139,610</u>	<u>(3,428,574)</u>	<u>78,918</u>	<u>54,884</u>	<u>58,617</u>	<u>3,903,455</u>

The Company	Share capital and advances	Accumulated losses	General banking risk reserve	Fair value reserve	Total
	GBP	GBP	GBP	GBP	GBP
At 1 July 2019	6,500,001	(126,439)	-	-	6,373,562
Increase in shareholders' advances	450,350	-	-	-	450,350
Loss for the year / total comprehensive loss for the year	-	(45,794)	-	-	(45,794)
At 1 July 2020	<u>6,950,351</u>	<u>(172,234)</u>	-	-	<u>6,778,117</u>
Loss for the year	-	(173,383)	-	-	(173,383)
At 30 June 2021	<u>6,950,351</u>	<u>(345,618)</u>	-	-	<u>6,604,733</u>

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note			
	The Group		The Company	
	Year from 1 Jul 2020 To 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
	GBP	GBP	GBP	GBP
Cash flows from / (used in) operating activities				
Interest and commission received	2,504,346	1,847,625	91,741	168,734
Interest and commission paid	(2,689,437)	(607,400)	(245,053)	(77,476)
Cash payments to employees and suppliers	(94,180)	(110,819)	(28,852)	(4,255)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities	(279,271)	1,129,406	(182,164)	87,003
Movement in finance lease and loans receivable	(3,063,528)	(1,371,601)	-	-
Movement in amounts owed to banks and to customers	2,781,538	4,191,330	356,330	(48,229)
Net cash from / (used in) operating activities	(561,261)	3,949,135	174,166	38,774
Cash flows used in investing activities				
Purchase of property plant and equipment	(4,519)	(3,755)	-	-
Purchase of intangible assets	(152,427)	(17,841)	(149,234)	(2,425)
Movement in investment assets and assets held for sale	213,901	(1,445,401)	-	-
Net cash from/ (used in) investing activities	56,955	(1,466,997)	(149,234)	(2,425)
Cash flows from / (used in) from financing activities				
Proceeds from convertible bonds	2,000,000	-	-	-
Proceeds from shareholder's advances	-	450,350	-	-
Amount (paid to) / received from subsidiary company	-	-	(25,272)	(36,672)
Lease payments for the principal portion of lease liability	(75,804)	(64,892)	-	-
Payments on debt securities in issue	(220,000)	(170,000)	-	-
Net cash from/ (used in) financing activities	1,704,196	215,458	(25,272)	(36,672)
Movement in cash and cash equivalents	1,199,890	2,697,598	(340)	(323)
Cash and cash equivalents at the beginning of the year	16,712,346	14,014,749	7,101	7,424
Cash and cash equivalents at the end of the year	17,912,236	16,712,346	6,760	7,101

10

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

a. Basis of preparation

The financial statements of AgriHoldings PLC ('the Company') and its subsidiaries (together 'The Group') have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). These financial statements have also been prepared in accordance with the provisions of the Banking Act, 1994 (Cap. 371) and the Companies Act, 1995 (Cap. 386). The financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at their fair value.

Going Concern

As part of the Groups going concern assessment the Board of Directors have made the following assessment:

Current year

During the current year, the Net Operating Income increased by 12.1%. The net interest income decreased by 20.6% while net fee and commission income increased by 162.7% respectively. Commission income includes income from factoring. This result is mainly attributed to the continuous growth of Corporate Banking and factoring where is the amortisation in the UK lending portfolio continued to take its toll on the net interest income from the Group's traditional business. In view of Brexit this trend is expected to continue. The net operating income increased slightly from 63% to 65% as a percentage of gross income.

Corporate Banking is the business line in which the Group managed to register the highest growth rate. During FY2021, the revenue generated amounted to GBP 879k, an increase of GBP 436k over the previous year (FY2020: GBP 443k) which is equivalent to a growth rate of 98%. During FY2021, the Group registered a 61% and 56% growth in new clients and accounts opened, respectively. Processed payments have also increased by over 216%.

The Group continued to work on its debt collection management procedures to ensure that it delivers on its NPL recovery plan which consists of enforcing and realising the value of underlying collateral and encouraging the refinancing NPLs by third parties. As at June 2021, the gross amount of NPLs stood at GBP 1.7m down from GBP3.52m a year before with an NPL ratio which was reduced from 20.85% to 9.16% and this at no additional lending losses. The Group has optimised its debt collection management procedures to ensure that the Group adhered to the NPL Recovery Plan. The NPL Recovery Plan involves enforcement procedures, realizing the value of its collateral or refinancing through third parties. COVID-19 restrictions had only minimal effects. In FY2021 the expected credit loss provisions on lending exposures amounted to GBP 392k (FY2020: GBP 281k), a net increase of GBP111k showing a more prudential approach to the valuation of the lending portfolio.

Growing the Maltese lending portfolio was also a focus. Lending in Malta doubled to GBP3.7m during the current year. The main lending product is designed to finance solar projects which are being subsidized by the Maltese government in order meet EU mandated targets. Further lending related to property and renewables in Europe are being targeted and currently this exposure stands at GBP1.7m.

In January 2021 AgriBank ('the Bank') launched a new service referred to as 'factoring' or 'factored receivables', offering fee-based invoice funding, whereby the Bank provides funds in advance prior to expiration of the invoice to companies in the EU providing them with the necessary working capital to accelerate and take advantage of their cashflow cycle. This new product is a fee-based service which is particularly relevant to the publicity and advertising sector within the EU. During the current period the Bank generated GBP62k of net income from this niche market.

Operating performance was registered as follows were registered in:

- net operating income increased slightly from 63% to 65% as a percentage of gross income
- operating costs to net operating income reduced from 121% to 119%

Way forward

The Bank is continuing to implement its strategy to diversify its business by a:

- Growing the corporate banking business in Malta;
- Growing the factoring business across the EU;
- Improving the quality and reducing the size of the UK agricultural loan portfolio; and
- Increasing lending in Malta.

The Bank is focussed on expanding its corporate customer base by onboarding attractive customers who need reliable banking services consisting of current accounts, payments and foreign exchange. New management has opened over 300 accounts since February 2019 and has a healthy pipeline of new customers.

Factoring of receivables for clients in the EU advertising industry is a new and important product for the future of the Bank. The Bank spent significant time and resources developing its capabilities to significantly scale this new product.

Improving the credit quality and reducing the size of the UK loan portfolio is a priority. The Bank made major strides in reducing its NPLs during the period and will continue to do this. The Bank will not be writing new business to the UK agricultural industry going forward. The profitability of the portfolio will be captured by actively managing the natural amortization of the portfolio.

The Bank believes that there is a significant opportunity to expand its loan book in Malta by continuing to target the renewable energy and other sectors.

After due consideration of the Groups and company's capital and solvency position as at the end of the reporting period, the Directors, having considered the revenue growth achieved during the year, the Bank's liquidity and financial position coupled with the projected performance, have concluded that it is appropriate to prepare these financial statements on a going concern basis capital as the board has concluded that there is no material uncertainty that casts significant doubt about the Group's ability to continue as a going concern. Moreover, during the current financial year, GBP2,000,000 convertible loans notes have been injected in the Group which Loans notes were invested as Tier 1 capital in the Bank in the form of shareholders' advance.

Changes in accounting policies

a. Effects of COVID-19 on the financial statements

The financial statements have been prepared keeping in mind the financial impact and the economic downturn brought about by COVID-19 pandemic. However, the increasing vaccination rate, low level of hospitalisations and deaths caused by the COVID-19 pandemic are favouring a continued easing of virus containment measures across Europe and in Malta, bringing economies towards a gradual improvement.

COVID-19 pandemic effects on the Group's performance continued to be minimal as the Group is not exposed to the tourism, hospitality and entertainment sectors. During the current year, the Group has registered growth in all business lines with the exception of UK lending which was mostly impacted by Brexit. Funding from the UK deposit market for new lending is difficult to achieve due to cessation of the passporting of services including deposits collection as a result of Brexit.

Moratoria on loan repayments

Credit and financial institutions licensed by the Malta Financial Services Authority have been directed to offer a moratorium on repayments on capital and interest for borrowers who have been negatively affected by COVID-19. Central Bank of Malta ("CBM") have issued Directive 18 for Moratoria on credit facilities in exceptional circumstances to which the Group has abided to.

As per CBM Directive 18, all suspended capital and/or interest payments during the moratorium period shall be spread evenly throughout the remaining term of the facility after the moratorium period. The Group did not capitalise any deferred interest throughout the period of the moratorium.

Loans which have been granted a moratorium and on which capital and/or interest payments have been suspended up till 30th June 2021 are as follows:

	GBP
Commercial facilities	1,465,365
Retail facilities	71,984
	1,537,349

Expected credit loss measurement

The effects of COVID-19 on the expected credit loss were not material as at 30 June 2021 and is explained further below. However, given a certain degree of uncertainty attributed to the outbreak of COVID-19 we expect the outlook to continue to evolve during the coming months. The Group will continue to closely monitor the economic situation together with the performance of the Group's facilities, in order to calibrate the Expected Credit Loss accordingly.

The increasing vaccination rate, low level of hospitalisations and deaths caused by the COVID-19 pandemic are favouring a continued easing of virus containment measures across Europe and in Malta, bringing economies towards a gradual improvement.

No additional costs were incurred due to COVID-19 for the current year.

Fair value movement

The COVID-19 pandemic effect on financial instruments valued at fair value held by the Group as at the end of June 2021 was not significant.

International financial reporting standards effective in the current year

The following standards, interpretations and amendments are applicable in the current year:

- IFRS 3 (Amendment) – Definition of Business (effective for financial years beginning on or after 1 January 2020).
- IAS 1 and IAS 8 (Amendment) – Definition of material (effective for financial years on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform (effective for financial years on or after 1 January 2020).
- IFRS 16 (Amendment) – COVID-19 Related Rent Concessions (effective for financial years on or after 1 January 2020).

The above standards, interpretations and amendments did not have a material effect on the financial statements of the Group or the Company.

International financial reporting standards in issue but not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting year and which have not been adopted early:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for financial years on or after 1 January 2023 by virtue of the July 2020 Amendments).
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective for financial years on or after 1 January 2022).
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective for financial years on or after 1 January 2022).
- Amendments to IAS 16 – Property, plant and equipment – proceeds before intended use (effective for financial years on or after 1 January 2022).
- Amendments to IFRS 9, IFRS 16 and IAS 41 (as part of the 2018 – 2020 Annual Improvements Cycle) (effective for financial years on or after 1 January 2022).
- IFRS 17 Insurance Contracts (effective for financial years on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective for financial years on or after 1 January 2023).
- Amendments to IAS 8 – Definition of Accounting Estimates (effective for financial years on or after 1 January 2023).

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Bank. The Group will assess the potential impact, if any, resulting from the following amendments:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective for financial years on or after 1 January 2021, not yet endorsed by the European Union). Phase 2 of the project addresses issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. In respect of the modification of financial assets, financial liabilities and lease liabilities, the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

c. Functional and presentation currency

The financial statements are presented in Sterling, which currency represents the functional currency of the Group.

d. Foreign currency translation

In preparing the financial statements, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to GBP at the rates of exchange ruling at the reporting date. Gains and losses arising from such translation are dealt with in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GBP at the exchange rate prevailing on the date the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are not retranslated.

e. Loans and receivables

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets at amortised cost include balances with Central Bank of Malta, cash and cash equivalents, loans to customers and investments at amortised cost. Financial assets at amortised cost are initially recognised at their fair value plus directly attributable transaction costs

Appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Group's accounting policy on ECLs.

Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss.

Interest income is recognised using the effective interest method and is included in the line item 'Interest income'. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

Fair value through the comprehensive income (FVOCI)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at Fair value through profit and loss (FVTPL), are measured at FVOCI. Financial assets at FVOCI are initially recognised at their fair value plus directly attributable transaction costs.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses on specified dates, interest revenue and foreign exchange gains and losses on the instrument amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on investment securities". Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment

The Group assessed the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered included:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Cash flows that represent solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Expected credit losses

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortised cost;
- debt instruments that are classified as at fair value through other comprehensive income;
- financial lease receivables;
- factored receivables; and
- irrevocable loan commitments.

Under IFRS 9, the Group will recognise a loss allowance at an amount equal to lifetime ECL, except in the following cases, where the amount recognised will be 12-month ECL:

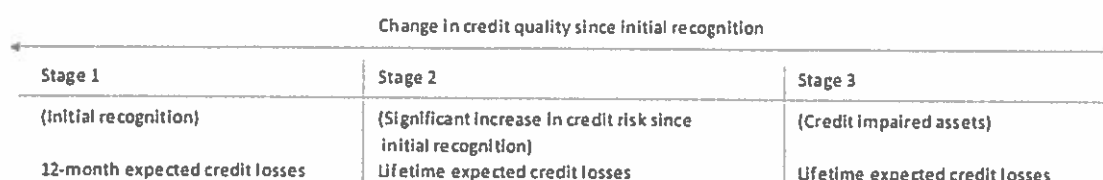
- financial instruments which have low credit risk at the reporting date; and
- financial instruments on which credit risk has not increased significantly since their initial recognition.

For finance lease receivables, the Group will apply the following accounting policy to measure the loss allowance –the 'three-stage' model below.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9.
- If the financial instrument is deemed to be credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The following diagram summarises the 'three-stage' model for impairment under IFRS 9:



Significant increase in credit risk (SICR)

The assessment of whether credit risk on a financial asset has increased significantly is one of the critical judgements in implementing the impairment model of IFRS 9. The Group adopts the rebuttable presumption that there was a significant increase in credit risk when the contractual payments are more than 30 days past due.

In the case of the Group's loan portfolio, the objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group assesses SICR through direct client contact, arrears and changes in sectoral levels of the borrower. The Group applies the low credit risk simplification for all investments which are of an investment grade, which comprises the vast majority of its treasury portfolio. The Group accordingly only assesses SICR for investments in those debt securities which are rated as sub-investment grade. For sub-investment grade securities, the Group considers a security to have experienced a significant increase in credit risk if the security has been the subject of a significant credit rating downgrade since initial recognition.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial assets. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL will reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measuring ECL

Under the 'three-stage' model, the ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement will also be applied in this process. Forecasts of these economic variables (the "base economic scenario") for the UK economy will be sourced externally and are deemed to provide the best estimate view of the economy over the next five years.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL will be presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments: generally, as a provision; and
- Where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group will present a combined loss allowance for both components. The combined amount will be presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component will be presented as a provision.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Group performs the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis, lifetime ECL is measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, including geographical mainly UK and Malta, industry including agriculture, renewable energy and by collateral classification, immovable property and moveable property.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

For lease receivables, the cash flows used for determining the expected credit loss are consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

f. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument.

Financial liabilities are initially measured at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current period, the Group did not designate any financial liabilities at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading, unless they are designated as effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include primarily amounts owed to banks and customers, subordinated liabilities and debt securities in issue.

The gain or loss on financial liabilities classified as at fair value through profit or loss is recognised in profit or loss. For financial liabilities carried at amortised cost, the gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds, net of transaction costs, and the settlement or redemption is recognised over the term of the financial liability.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

g. Recognition, de-recognition and offsetting of financial assets and financial liabilities

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

All loans and receivables are recognised when cash is advanced to borrowers.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset and the transfer qualifies for derecognition. A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

h. Property, plant and equipment

Property, plant and equipment are classified into the following classes – fixtures and fittings, furniture, IT infrastructure and equipment and office equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

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

Tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

i. Intangible assets

Intangible assets comprise trademarks, computer software, computer systems and website costs. In determining the classification of an asset that incorporates both intangible and tangible elements, judgment is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Intangible assets are initially measured at cost. After initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

j. Depreciation and amortisation

Depreciation on property, plant and equipment and amortisation of intangible assets commence when these assets are available for use and are charged to profit or loss so as to write off the cost of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Property, plant and equipment

Fixtures and fittings	10% per annum
Furniture	20% per annum
IT infrastructure and equipment	20% per annum
Office equipment	20% per annum

Intangible assets

Trademark	10% per annum
Computer software	20% to 33% per annum
Computer systems	20% per annum
Website costs	33% per annum

The depreciation or amortisation method applied, the residual value and the useful life are reviewed at each reporting date.

k. Impairment of property, plant and equipment and intangible assets

At each reporting date the Group reviews the carrying amount 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 such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss shall be treated as a revaluation decrease to the extent that it does not exceed the amount in the revaluation surplus for that asset. An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

l. Provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of a past event, and 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. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

m. Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in the statements of comprehensive income because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is determined under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated 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 that have been enacted or substantively enacted by the reporting date.

n. Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Fees and commissions that are earned on the execution of a significant transaction are recognised as revenue when the significant transaction has been completed. Fees and commissions that are earned as services are provided to the client are recognised as revenue as the services are provided. Where fees are charged to cover the cost of a continuing service, these are recognised on an appropriate basis over the relevant period.

o. Employee benefits

The Group contributes towards the state pension and the social security in accordance with local legislation. The costs of retirement benefits are charged to profit or loss as they accrue.

p. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand or with a contractual period to maturity of less than 90 days; advances to banks repayable within 90 days from the date of the advance and balances with the Central Bank of Malta. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 90 days and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

q. Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Finance charges receivable are recognised in the statements of financial position and income is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease, considering all receipts associated with the lease.

r. Non-current assets held for sale

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

s. Loan commitments

Loan commitments are the Group's commitments to provide credit under pre-specified terms and conditions and are measured as the amount of the loss allowance.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the Expected Credit Losses on the undrawn commitment component from those on the loan component, the Expected Credit Losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined Expected Credit Losses exceed the gross carrying amount of the loan, the Expected Credit Losses are recognised as a provision.

t. Leases

When the Group is the lessee:

The Group assesses whether the contract is, or contains, a lease at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, unless otherwise stated below. For short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Group applies the recognition exemption. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern of the lessee's benefit.

The Group presents lease liabilities in relation to leases separately in the Statement of Financial Position. The lease liability is measured at the present value of the remaining lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The associated right-of-use (ROU) assets are presented separately in the Statement of Financial Position. The right-of-use assets are initially measured at the commencement date at cost, being the amount of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term.

The ROU asset is depreciated over the shorter of the ROU asset's useful life and the lease term on a straight-line basis. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The leases with a remaining lease term of less than 12 months are accounted as short-term operating leases.

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

u. Operating segments

An operating segment is a component of an entity (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Board has considered the requirements of IFRS 8 *Operating Segments*. The shares of the Group are not listed on a Stock Exchange. As a result, the Group is outside the scope of IFRS 8. Therefore, no reconciliation is required between the measure of gains or losses used by the Board to measure the performance of the Board and that contained in these financial statements.

v. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, as adjusted for conditions at the balance sheet date. Actual results could differ from such estimates.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its loan and financial leases portfolio, investments carried at amortised costs and FVOCI and other financial assets. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the year ended 30 June 2021 there was an impairment allowance of GBP 377,868 (2020: GBP 281,380) on the Group's finance lease receivable and loans to customers.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The Group makes an annual assessment of whether or not it will have sufficient taxable profits in the future to realise the deferred tax assets. This is a matter of careful judgement and based on facts and circumstances available as further explained in note 9.

In the process of applying the Group's accounting policies, management has made no other judgements which can significantly affect the amounts recognised in the financial statements. At the reporting date, there were no other key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Interest income

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
	GBP	GBP	GBP	GBP
On cash and cash equivalents	35,820	23,899	-	-
On investments at amortised cost	3,715	3,708	-	-
On fair value through other comprehensive income investments	42,868	81,011	-	-
Finance lease interest income	664,794	1,138,590	-	-
Interest on subordinated debt	-	-	72,050	71,939
Loan interest income	487,448	344,101	-	-
Interest Income	1,234,645	1,591,311	72,050	71,939

GBP 159,117 (2020: GBP 58,517) of the Group's interest income consisted of income from a secured corporate loan to related parties. Interest income recognised during the year on impaired financial assets was GBP nil. During the previous year, finance lease interest income on impaired finance lease assets and impaired loans included GBP 335,834 and GBP 46,701, respectively, of interest in suspense assigned to related party.

Interest income on investments consist of the coupon on Malta Government stocks which are detailed in notes 12 and 13.

3. Interest expense

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
	GBP	GBP	GBP	GBP
On amounts owed to banks	-	6,135	-	-
On amounts owed to customers	282,724	484,467	-	-
On debt securities in issue	8,792	18,182	-	-
On loan from subsidiary	-	-	15,365	15,436
On senior bonds	144,216	76,554	144,216	76,555
Interest expense	435,732	585,338	159,581	91,991

During the year, GBP 15,365 (2020: GBP 15,436) of the Company's interest consisted of interest on a loan to its subsidiary, i.e.: the Bank.

4. Net fee and commission income

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP
Arrangement fees on finance leases and loans	142,689	38,062	-	-
Corporate Fee Income	762,279	442,512	-	-
Factoring fee	106,513	-	-	-
Operating lease income	-	-	153,263	153,980
Management administration fees	1,756	-	1,756	-
Fee and commission income	1,013,237	480,573	155,019	153,980
Origination fees on finance leases and loans	(180,000)	(180,000)	-	-
Corporate fee expense	(32,232)	(27,805)	-	-
Factoring related expenses	(30,453)	-	-	-
Other fees	(59,590)	(19,147)	(7,593)	(7,593)
Fee and commission expense	(302,275)	(226,952)	(7,593)	(7,593)
Net Fee and commission income	710,962	253,621	147,426	146,387

Included in the origination fees on finance leases and loans are GBP 180,000 (2020: GBP180,000) of fees that were paid to related parties and a lending administration fee of GBP nil (2020: GBP 2,500) was received from a related party.

A significant portion of the fees and commissions earned by the Group are of a one-time nature including onboarding fees, payment related fees and documentary fees. These are recognised at the point in time when the transaction takes place.

Corporate fee income includes ongoing fees consisting of maintenance fees for bank accounts.

Factoring fees are fixed ranging from 2.0% to 2.5% fees on invoices funded which vary from 90 to 120 days to invoice payment due dates.

The other fee and commission income earned from contracts with customers is measured based on the consideration specified in the contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

5. Employee compensation and benefits

5.1. Directors' compensation

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP
Directors' fees	121,733	96,724	-	-
Directors' salaries	222,830	211,808	-	-
Total remuneration for directors	344,563	308,532	-	-

All directors' fees and emoluments consist of short-term benefits.

5.2. Personnel expenses including directors incurred during the period are analysed as follows:

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 to 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
	GBP	GBP	GBP	GBP
Wages and salaries	855,655	680,336	-	-
Social security costs	37,963	30,868	-	-
Other staff costs	56,772	42,921	-	-
	<u>950,390</u>	<u>754,125</u>	<u>-</u>	<u>-</u>

Other staff costs consist of health insurance, staff training and recruitment costs.

5.3. The average number of employees of The Group employed during the period excluding non-executive directors was as follows:

	2021	2020
	Number	Number
Senior managerial	2	2
Managerial	6	4
Executives	6	5
Junior executives	4	4
Other	1	0
Total	<u>19</u>	<u>15</u>

6. General Administration expenses.

The main categories of general administrative expenses consist of the following:

	The Group		The Company	
	Year from 1 Jul 2020 To 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020	Year from 1 Jul 2020 To 30 Jun 2021	Year from 1 Jul 2019 to 30 Jun 2020
	GBP	GBP	GBP	GBP
Office and IT and financial	283,019	411,758	136,004	98,473
Professional, regulatory and insurance	404,349	191,551	44,334	33,440
Marketing and travelling	18,763	24,182	-	-
	<u>706,131</u>	<u>627,491</u>	<u>180,338</u>	<u>131,913</u>

7. Net impairment losses

	The Group	
	Year from 1 Jul 2020 To 30 Jun 2021 GBP	Year from 1 Jul 2019 To 30 Jun 2020 GBP
Write downs:		
On financial assets		
- expected credit loss	107,451	(580)
- bad debts	-	15,000
- gain on foreclosure	(6,259)	-
- loss on assets held for realisation (note 37)	16,780	25,298
- provision for other losses recovered	-	(21,996)
Net impairment losses	117,972	17,722

The following table shows the movement in ECLs that has been recognised for the respective financial assets:

Loans:

	12m ECL	The Group	
		Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired but not POCI)
	Loans to customers GBP	Loans to customers GBP	Loans to customers GBP
Opening balance at 1 July 2020	35,460	1,435	5,179
Resulting from new originations during the year	2,253	-	-
Resulting from closing of lending deals during the year	(126)	-	(5,306)
	<u>2,126</u>	<u>-</u>	<u>(5,306)</u>
Movement from:			
- 12m ECL to lifetime (not credit-impaired) ECL	-	23,826	-
- 12m ECL to lifetime (credit-impaired) ECL	-	-	963
- lifetime (not credit-impaired) ECL to 12m ECL	-	-	-
Movement during the year	<u>-</u>	<u>23,826</u>	<u>963</u>
Changes in risk parameters	(4,823)	(1,435)	127
	<u>(4,823)</u>	<u>(1,435)</u>	<u>127</u>
Closing balance 30 June 2021	32,763	23,826	963

7. Net impairment losses (continued)

	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired but not POCI)
	Loans to customers GBP	Loans to customers GBP	Loans to customers GBP
Opening balance at 1 July 2019	25,113	753	10,556
Resulting from new originations during the year	1,629	-	-
Resulting from closing of lending deals during the year	(779)	-	(10,556)
	<u>25,963</u>	<u>753</u>	<u>-</u>
Movement from:			
- 12m ECL to lifetime (not credit-impaired) ECL	332	-	-
- 12m ECL to lifetime (credit-impaired) ECL	-	1,435	-
- lifetime (not credit-impaired) ECL to 12m ECL	-	-	-
Movement during the year	<u>332</u>	<u>1,435</u>	<u>-</u>
Changes in risk parameters	9,165	(753)	5,179
	<u>9,165</u>	<u>(753)</u>	<u>5,179</u>
Closing balance 30 June 2020	<u>35,460</u>	<u>1,435</u>	<u>5,179</u>

Finance lease receivables:

	12m ECL	The Group Lifetime ECL (not credit-impaired)	Lifetime ECL (credit- impaired but not POCI)
	Finance lease receivables GBP	Finance lease receivables GBP	Finance lease receivables GBP
Opening balance at 1 July 2020	16,891	19,161	203,254
Resulting from new originations during the year	-	-	-
Resulting from closing of lending deals during the year	(1,957)	(5,943)	(76,325)
	<u>(1,957)</u>	<u>(5,943)</u>	<u>(76,325)</u>
Movement from:			
- 12m ECL to lifetime (not credit-impaired) ECL	-	3,517	-
- 12m ECL to lifetime (credit-impaired) ECL	-	-	61,494
- lifetime (not credit-impaired) ECL to 12m ECL	(1,782)	(18,935)	-
Movement during the year	<u>1,782</u>	<u>(15,417)</u>	<u>61,494</u>
Changes in risk parameters	7,069	27,490	86,381
	<u>7,069</u>	<u>27,490</u>	<u>86,381</u>
Closing balance 30 June 2021	<u>20,220</u>	<u>25,291</u>	<u>274,804</u>

7. Net impairment losses (continued)

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Finance lease receivables GBP	Finance lease receivables GBP	Finance lease receivables GBP
Opening balance at 1 July 2019	21,656	59,154	168,403
Resulting from new originations during the year	1,262	-	-
Resulting from closing of lending deals during the year	(4,624)	(19,968)	(4,326)
Resulting from new purchases during the year	-	-	-
	<u>18,294</u>	<u>39,186</u>	<u>164,077</u>
Movement from:			
- 12m ECL to lifetime (not credit-impaired) ECL	1,774	-	-
- 12m ECL to lifetime (credit-impaired) ECL	-	9,372	36,499
- lifetime (not credit-impaired) ECL to 12m ECL	-	-	-
Movement during the year	<u>1,774</u>	<u>9,372</u>	<u>36,499</u>
Write-offs during the year	-	(3,430)	(3,698)
Changes in risk parameters	<u>(3,177)</u>	<u>(25,967)</u>	<u>6,375</u>
	<u>(3,177)</u>	<u>(29,398)</u>	<u>2,677</u>
Closing balance 30 June 2020	<u>16,891</u>	<u>19,161</u>	<u>203,254</u>

Factored receivables:

	12m ECL	The Group Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Factored receivables GBP	Factored receivables GBP	Factored receivables GBP
Opening balance at 1 July 2020	-	-	-
Resulting from new originations during the year	-	-	-
Resulting from closing of lending deals during the year	-	-	-
Resulting from new purchases during the year	10,545	3,523	-
	<u>10,545</u>	<u>3,523</u>	<u>-</u>
Closing balance 30 June 2021	<u>10,545</u>	<u>3,523</u>	<u>-</u>

The following table explains how significant changes in the gross carrying amount of certain financial assets (and contract assets) contributed to changes in the loss allowance:

7. Net impairment losses (continued)

	<i>Current year</i>	<i>The Bank</i>		
		12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit-impaired but not POCI)
	GBP	GBP	GBP	GBP
Financial leases				
New finance leases during the year:	-	-	-	-
Net change in the grading of Finance leases amounting to:	361,463	(1,547)	(15,417)	61,494
Settlement in full of finance leases with a gross carrying amount of:	(2,225,612)	(1,957)	(5,943)	(76,325)
A significant increase in the credit risk of finance leases with a gross carrying amount of:	9,561,171	-	27,490	86,381
Loans				
New Loans during the year:	3,314,414	2,253	-	-
Net change in the grading of Loans amounting to:	1,674,173	-	23,826	963
Settlement in full of Loans with a gross carrying amount of:	(1,764,248)	(126)	-	(5,306)
A significant increase in the credit risk of Loans with a gross carrying amount of:	6,041,027	(4,823)	(1,435)	127
Factored Receivables				
New factored receivables during the year:	2,260,305	10,545	3,523	-
<i>Comparative year</i>				
		<i>The Bank</i>		
		12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit-impaired but not POCI)
	GBP	GBP	GBP	GBP
Financial leases				
New finance leases during the year:	1,070,422	1,262	-	-
Net change in the grading of Finance leases amounting to:	1,303,503	1,774	9,372	36,499
Settlement in full of finance leases with a gross carrying amount of:	(2,097,217)	(4,624)	(19,968)	(4,326)
A significant increase in the credit risk of finance leases with a gross carrying amount of:	846,388	(3,177)	(29,398)	2,677
Loans				
New Loans during the year:	1,707,508	1,629	-	-
Net change in the grading of Loans amounting to:	601,939	332	-	1,435
Settlement in full of Loans with a gross carrying amount of:	(2,798,084)	(779)	-	(10,556)
A significant increase in the credit risk of Loans with a gross carrying amount of:	2,547,675	9,165	(753)	5,179
	2,547,675	9,165	(753)	5,179

8. Loss before tax

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP
Loss before tax is stated after charging:				
Total remuneration payable to the Company's auditors for:				
-the audit of financial statements	35,328	16,736	8,832	2,789
-tax related services	1,828	4,541	693	1,519
-consultancy services	37,977	1,547	11,702	-
	<u>75,133</u>	<u>22,824</u>	<u>21,227</u>	<u>4,308</u>

9. Income tax credit

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP
Income tax credit	-	-	-	-
Reversal of deferred tax asset	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The credit for income tax is based on the taxable loss for the period at a rate of 35%.

The income tax credit for the period and tax applying the statutory domestic income tax rate are reconciled as follows:

	The Group		The Company	
	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP	Year from 1 Jul 2020 to 30 Jun 2021 GBP	Year from 1 Jul 2019 to 30 Jun 2020 GBP
Loss before tax	(453,888)	(314,087)	(173,383)	(44,427)
Tax at the applicable rate of 35%	<u>(158,861)</u>	<u>(109,931)</u>	<u>(60,684)</u>	<u>(15,549)</u>
Deferred tax asset not recognised	155,178	105,144	60,684	15,549
Depreciation on ineligible assets	3,683	4,760	-	-
Donation	-	27	-	-
Tax charge/(credit) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10. Balances with Central Bank of Malta, cash and cash equivalents

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Balances with Central Bank of Malta	1,009,771	157,930	-	-
Cash in bank	17,912,000	16,712,114	6,760	7,101
Cash in hand	236	232	-	-
	<u>18,922,007</u>	<u>16,870,276</u>	<u>6,760</u>	<u>7,101</u>

The balance with the Central Bank of Malta includes an amount of GBP 1,009,771 (2020: GBP 157,930) pledged in favour of the Depositor Compensation Scheme in guarantee of all the Bank's eligible depositors. During the year, there was a decrease in the carrying amount of such balance by GBP 65,698 due to exchange fluctuations.

An amount of GBP 13,779,589 (2020: GBP 2,028,112) was held through the Target 2 system of the Central Bank of Malta.

Cash and cash equivalents comprise balances with less than three months' maturity from date of acquisition, including cash in hand, deposits held at call with banks which carry a fixed rate of interest:

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Cash in bank	17,912,000	16,712,114	6,760	7,101
Cash in hand	236	232	-	-
	<u>17,912,236</u>	<u>16,712,346</u>	<u>6,760</u>	<u>7,101</u>

During the year, there was a decrease in the carrying amount of such balance by GBP 1,134,140 due to exchange fluctuations.

During the year, the Group has refunded its maturing deposits by a mix of new deposits' issues and rollovers of existing deposits, but also with loan repayments.

11. Investments measured at amortised cost

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Malta Government Stock at 2.1% maturing in 2039	172,584	183,812	-	-
	<u>172,584</u>	<u>183,812</u>	<u>-</u>	<u>-</u>
Less expected loss as per IFRS9	-	(128)	-	-
	<u>172,584</u>	<u>183,684</u>	<u>-</u>	<u>-</u>

During the year, there was a decrease in the carrying amount of such balance by GBP11,229 due to exchange fluctuation while premium and transaction costs paid on acquisition of GBP3,049 was amortised.

12. Investments at Fair Value through other comprehensive income

Investments at fair value through other comprehensive income consists of the following:

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Malta Government Stock at 2.1% maturing in 2041	496,065	590,390	-	-
Malta Government Stock at 2.4% maturing in 2041	622,339	684,502	-	-
Malta Government Stock at 2.5% maturing in 2039	775,879	813,523	-	-
Malta Government Stock at 3.0% maturing in 2040	206,883	236,090	-	-
	<u>2,101,166</u>	<u>2,324,505</u>	<u>-</u>	<u>-</u>
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Opening balance	2,324,505	1,009,700	-	-
Additions	-	1,275,054	-	-
Loss due to exchange difference	(131,124)	-	-	-
Fair value gain	(92,215)	39,751	-	-
Closing balance	<u>2,101,166</u>	<u>2,324,505</u>	<u>-</u>	<u>-</u>

All these investments are pledged to the Depositors Compensation Scheme. There was a depreciation in their value of GBP 92,215 (2020: appreciation of GBP 39,751) due to a movement in their quoted price.

13. Finance lease receivables

Finance lease receivables comprises receivables in respect of asset financing provided to farmers in the United Kingdom, to finance the acquisition of various agriculture-related equipment, vehicles and machinery. The financing arrangements are in the form of finance leases and hire purchase agreements. The main difference between the two types of financing is that under a finance lease, the lessee does not acquire the asset, nor does he have an option to acquire the asset. At the end of the lease, the asset is either sold to a third party (for which there is a secondary market) or the lessee can continue the lease for a secondary period at a rent that is substantially lower than market rent. Under hire purchase financing, the lessee has the option to acquire the underlying asset for a nominal fee, at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

Under both types of financing arrangements, the net investment in the lease is based on the interest rate implicit in the lease which causes the present value of the minimum lease payments and the unguaranteed residual value to be equivalent to the fair value including initial direct costs. In the case of early settlements, the finance income is still due from the lessee, normally net of a rebate of 2% of the outstanding capital and finance income value.

13. Finance lease receivables (continued)

	The Group	
	2021	2020
	GBP	GBP
Gross investment in finance lease receivable	8,966,737	11,813,254
Unearned future income on:		
Finance lease arrangements yielding 11.36 % (2020: 10.58%)	(69,609)	(131,892)
Hire purchase arrangements yielding 9.16% (2020: 9.42%)	(1,200,105)	(1,793,906)
Less expected credit loss	(320,316)	(239,307)
Net investment in finance leases	<u>7,376,707</u>	<u>9,648,149</u>

Gross investment in finance leases comprises excluding unearned future income:

The Group		Gross - 2021					
	Not more than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Finance lease arrangements	605,851	121,333	73,052	34,783	-	-	835,019
Hire purchase arrangements	<u>2,448,826</u>	<u>1,577,839</u>	<u>1,038,930</u>	<u>861,935</u>	<u>376,395</u>	<u>558,078</u>	<u>6,862,003</u>
	<u>3,054,677</u>	<u>1,699,172</u>	<u>1,111,982</u>	<u>896,718</u>	<u>376,395</u>	<u>558,078</u>	<u>7,697,022</u>
							GBP
Opening gross balance							9,887,456
New finance leases and hire purchase arrangements							-
Less principal repayments							(2,190,434)
Net investment in the leases gross of ECL excluding unearned future income							<u>7,697,022</u>

13. Finance lease receivables (continued)

The Group		Gross - 2020					
	Not more than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Finance lease arrangements	448,977	282,141	122,984	75,827	-	-	929,929
Hire purchase arrangements	2,948,017	1,921,290	1,910,746	794,268	623,223	759,982	8,957,526
	<u>3,396,994</u>	<u>2,203,432</u>	<u>2,033,730</u>	<u>870,094</u>	<u>623,223</u>	<u>759,982</u>	<u>9,887,455</u>
							GBP
Opening gross balance							10,119,161
New finance leases and hire purchase arrangements							1,070,422
Less principal repayments							(1,302,128)
Net investment in the leases gross of ECL excluding unearned future income							<u>9,887,455</u>

The underlying assets have no unguaranteed residual values accruing to the benefit of the Bank, nor has any contingent rent been included as part of income in the current period.

Finance lease receivables are subject to net impairment losses as per note 7.

14. Loans to customers

The Group		2021	2020
		GBP	GBP
Term loans and advances yielding 5.77% (2020: 7.97%)		8,876,934	6,684,416
Less impairment losses		(54,752)	(39,636)
Net loans and advances at amortised cost		<u>8,822,182</u>	<u>6,644,780</u>

The Group		2021
		GBP
Opening gross loan balance		6,684,416
New loans		3,314,414
Less principal repayments		(1,121,896)
Net investment in the loans gross of ECL		<u>8,876,934</u>

14. Loans to customers (continued)

The Group	2020
	GBP
Opening gross loan balance	5,193,084
New loans	1,707,508
Less principal repayments	(216,176)
Net investment in the loans gross of ECL	<u>6,684,416</u>

A loan in the agricultural renewable energy sector amounting to GBP 1,295,537 (2020: GBP 1,275,117) was granted to a related company at normal trading conditions. GBP 32,103 accrued interest was capitalised during the year.

Loans receivables are subject to net impairment losses as per note 7. During the year, there was a decrease in the carrying amount of the loans denominated in Euro by GBP 25,272 due to exchange fluctuation.

15. Factored receivables

	The Group	
	2021	2020
	GBP	GBP
Fee based factored receivables	2,260,305	-
Less impairment losses	(14,069)	-
Net factored receivables and advances at amortised cost	<u>2,246,236</u>	<u>-</u>

The Group	2021
	GBP
Opening gross factored receivables balance	-
New factored receivables	4,770,074
Less principal repayments	(2,509,769)
Net investment in the factored receivables gross of ECL	<u>2,260,305</u>

The Group	2020
	GBP
Opening gross factored receivables balance	-
New factored receivables	-
Less principal repayments	-
Net investment in the factored receivables gross of ECL	<u>-</u>

Factored receivables consist of invoice funding with original repayment terms varying between 60 and 120 days with a factoring fixed fee varying between 2% and 2.5%. Factored receivables are subject to net impairment losses as per note 7. During the year, there was a decrease in the carrying amount of the loans denominated in Euro by GBP 137,967 due to exchange fluctuation.

16. Right of use assets

The statement of financial position shows the following amounts relating to leases:

	The Group	
	2021	2020
	GBP	GBP
Right-of-use Property		
Opening Balance	214,534	214,534
Accumulated Depreciation	(129,196)	(64,290)
	<u>85,338</u>	<u>150,244</u>
Lease liabilities		
Current	67,260	65,105
Non- current	9,692	87,650
	<u>76,952</u>	<u>152,755</u>

There were no additions to the right-of-use assets and cash outflows in relation to leases during the year amounted to GBP64,861.

	The Group	
	2021	2020
	GBP	GBP
Depreciation charge on right-of-use assets		
Opening balance	64,906	64,290
	<u>64,906</u>	<u>64,290</u>

	The Group	
	2021	2020
	GBP	GBP
Interest expense (included in interest payable)	4,173	6,089
Lease expense on short term leases	127,266	152,494
	<u>131,439</u>	<u>158,583</u>

17. Intangible assets

The Group

	Trademark GBP	Computer Software GBP	Computer Systems GBP	Total GBP
Cost				
At 30 June 2019	880	105,537	449,811	556,228
Acquisitions	-	-	17,841	17,841
At 30 June 2020	880	105,537	467,652	574,069
Acquisitions	-	89,985	105,569	195,554
At 30 June 2021	880	195,522	573,221	769,623
Accumulated amortisation				
At 30 June 2019	528	81,300	114,864	196,692
Charge for the year	88	11,903	49,936	61,927
At 30 June 2020	616	93,203	164,800	258,619
Charge for the year	88	22,950	54,062	77,100
At 30 June 2021	704	116,153	218,862	335,719
Carrying amount				
At 30 June 2020	264	12,334	302,852	315,450
At 30 June 2021	176	79,369	354,359	433,904

The Company

	Trademark GBP	Computer Software GBP	Computer Systems GBP	Total GBP
Cost				
At 30 June 2019	-	1,715	396,235	397,950
Acquisitions	-	-	2,425	2,425
At 30 June 2020	-	1,715	398,660	400,375
Acquisitions	-	89,985	102,376	192,361
At 30 June 2021	-	91,700	501,036	592,736
Accumulated amortisation				
At 30 June 2019	-	619	100,805	101,424
Charge for the year	-	572	39,644	40,216
At 30 June 2020	-	1,191	140,449	141,640
Charge for the year	-	13,021	39,919	52,940
At 30 June 2021	-	14,212	180,368	194,580
Carrying Amount				
At 30 June 2020	-	524	258,211	258,735
At 30 June 2021	-	77,488	320,668	398,156

18. Property, plant and equipment

The Group

	Fixtures & Fittings GBP	Furniture GBP	IT infrastructure & equipment GBP	Office Equipment GBP	Total GBP
Cost					
At 1 July 2019	117,825	37,209	201,014	58,885	414,933
Additions	-	-	-	3,755	3,755
At 30 June 2020	117,825	37,209	201,014	62,640	418,688
Additions	-	-	-	4,518	4,518
At 30 June 2021	117,825	37,209	201,014	67,158	423,206
Accumulated depreciation					
At 30 June 2019	89,894	37,209	118,237	20,662	266,002
Charge for the year	-2,737	-	24,200	10,190	31,653
At 30 June 2020	87,157	37,209	142,437	30,852	297,655
Charge for the year	11,783	-	23,635	11,847	47,265
At 30 June 2021	98,940	37,209	166,072	42,699	344,920
Carrying amount					
At 30 June 2020	30,668	-	58,577	31,788	121,033
At 30 June 2021	18,885	-	34,942	24,459	78,286

The Company does not hold any property, plant and equipment as at 30 June 2021.

19. Deferred tax

Recognised deferred tax asset

Deferred tax asset is attributable to the following temporary differences:

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Tax value of losses and capital allowances carry-forwards	-	-	-	-

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. At 30 June 2021 the Group had unutilised tax losses and other temporary differences which would result in a total deferred tax asset of GBP 1,063,194 (2020 – GBP 959,513) of which GBP nil (2020 – GBP nil) was recognised on balance sheet. The Directors will continue to monitor the position on an ongoing basis and will review their position accordingly for the upcoming financial year.

20. Investment in subsidiaries

AgriHoldings PLC own 100% of the ordinary shares in these subsidiaries.

	Incorporated in	Nature of Business	Equity Interest %	Investment at cost GBP
				2021
AgriBank PLC	Malta	Banking	100	8,950,350
				<u>8,950,350</u>
				2020
AgriBank PLC	Malta	Banking	100	6,950,350
				<u>6,950,350</u>

The GBP 2,000,000 increased in investment in AgriBank PLC was funded by the 5% 5 years convertible bonds (note 24). The registered address of the subsidiary i.e. The Group PLC is Level 1, SkyParks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The subsidiary prepares its financial statements to the same date, 30 June.

21. Other assets

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Receivables from related parties	1,182,826	360,580	-	2,939
VAT receivable	34,628	32,859	13,902	-
Other receivables	14,028	197,685	-	-
	<u>1,231,482</u>	<u>591,124</u>	<u>13,902</u>	
Expected Loss	(9,258)	(6,601)	-	-
	<u>1,222,224</u>	<u>584,523</u>	<u>13,902</u>	<u>2,939</u>

The Group has GBP 1,123,851 (2020: GBP 159,504) receivable from a related party in relation to direct debits collections, being cash transfers in transit at end of the current period and a further GBP 58,975 (2020: GBP 88,494) were receivable from a related party being financing of administration expenses. Related parties' receivables carry no interest, no security and have no fixed date of repayment, but are expected to be realised within twelve months from the end of the reporting period. During the year, there was a decrease in the carrying amount of other assets by GBP10,790 due to exchange fluctuations.

22. Prepayments and accrued income

	The Group		The Company	
	2021 GBP	2020 GBP	2021 GBP	2020 GBP
Prepayments	102,211	177,122	28,201	91,626
Accrued income on finance leases and loans	169,775	166,829	-	-
Interest in suspense	(69,998)	(45,529)	-	-
Other accrued income	-	-	110,430	37,575
	<u>201,988</u>	<u>298,421</u>	<u>138,631</u>	<u>129,201</u>

The Company accounted for GBP 35,280 (2020: GBP 37,575) of accrued income on subordinated bonds interest from its subsidiary company as at year-end. Accrued income for the Group includes GBP 32,103 (2020: GBP 36,786) for a performing loan to a related party yielding 13.5% interest per annum and fully collateralised by land. Included in accrued income for the Company for the year ended 30 June 2021 is a total of GBP 66,465 (2020: GBP nil) operating lease chargeable to AgriBank, the subsidiary.

22. Prepayments and accrued income (continued)

Although most of this carrying amount is denominated in GBP, there was a decrease in value of GBP 8,497 due to exchange fluctuations.

Interest in suspense refers to earned interest receivable deferred on loans and financial leases which have become non-performing and impaired.

During the previous year ending 30 June 2020, the Group entered into an agreement with AgriFinance Ltd, a related party as an assignor of interest in suspense on finance lease contracts amounting to GBP 335,834 and GBP 46,701 on loan contracts. This agreement assigned to the assignee the receivable interest in suspense on the non-performing lending contracts for the consideration equivalent to the carrying value of such interest in suspense. Any risk of failure by the respective borrowers of these lending contracts passed unto the assignee, with the assignee having no claim whatsoever against the assignor in the event of failure by said borrower to pay the interest in suspense. The agreement further stipulated that the assignor is obliged to pass over any payments from the respective borrowers on account of any of the lending contracts for which interest in suspense has been assigned to the assignee.

23. Amounts owed to customers

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Current accounts	24,284,584	17,781,620	-	-
1.90% - 2.77% 3 years GBP fixed rate savings	1,487,974	1,887,988	-	-
2.05% - 3.53% 5 years GBP fixed rate savings	6,308,375	9,901,833	-	-
0.90% 1-year EUR fixed rate savings	429,740	-	-	-
	<u>32,510,673</u>	<u>29,571,441</u>	<u>-</u>	<u>-</u>

The deposits are repayable on maturity, with interest payable semi-annually, annually or upon maturity. Current accounts are repayable on demand and bear no interest. The carrying amount of EURO denominated current accounts increased by GBP 6,502,964.

24. Debt securities in issue

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
5.00% 5-year GBP The Group Co-Invest Bonds	50,000	270,000	-	-
4.875% 7 years Senior Secured Bonds	-	1,633,074	1,533,312	1,633,074
5% 5 years Convertible Bonds	-	-	2,000,000	-
	<u>50,000</u>	<u>1,903,074</u>	<u>3,533,312</u>	<u>1,633,074</u>

The Senior secured Bonds (the "Bonds") with an original issue amount of EUR1,900,000 are secured by Subordinated Bonds issued by the Group and mature in December 2024. The Bonds are listed on the Malta Stock Exchange under Prospects. The other bonds represent transferable senior debt security. The bonds are redeemable at par upon maturity, with interest payable semi-annually, annually or upon maturity. All other bonds in issue are not listed on any stock exchange and are unsecured. The decrease of GBP 220,000 (2020: GBP 170,000) resulted from the maturity of the same bonds.

The Company's 5% 5 years convertible bonds consist of bonds that can be converted to ordinary shares once the change in control of the Group is authorised by the regulator.

25. Other liabilities

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Other creditors	1,094,447	548,861	42,977	122
VAT payable	53,389	16,914	-	15,711
Amount owed to related parties	-	-	690,303	413,704
	<u>1,147,836</u>	<u>565,775</u>	<u>733,280</u>	<u>429,537</u>

Included in amounts owed to related parties is a loan denominated in EUR from the company to AgriBank plc (subsidiary) amounting to GBP 388,432 (2020: GBP 413,704). It is unsecured, with a fixed interest rate of 3% repayable by fixed semi-annual instalments of GBP15,316 up till the 30 April 2027.

Other amounts amounting to GBP 301,871 (2020: GBP nil) owed to the Company's subsidiary are interest free and unsecured. Though the borrowings have no fixed date of repayment, they are expected to be settled within 12 months from the end of the reporting period.

26. Accruals

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Accrued interest on term deposits and debt securities in issue	286,233	664,873	71,408	43,152
Other accruals	<u>371,661</u>	<u>247,097</u>	<u>12,430</u>	<u>5,980</u>
	<u>657,894</u>	<u>911,970</u>	<u>83,838</u>	<u>49,132</u>

27. Share capital

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Authorised:				
49,999,999 ordinary shares at GBP 1 each	49,999,999	49,999,999	49,999,999	49,999,999
1 ordinary B shares at GBP 1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and paid up:				
80,000 ordinary A shares at GBP 1 each	80,000	80,000	80,000	80,000
1 ordinary B shares at GBP 1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>80,001</u>	<u>80,001</u>	<u>80,001</u>	<u>80,001</u>

Holders of 'B' shares do not have voting rights nor are they entitled to dividends.

28. Shareholders' advances

The amount of GBP7,059,609 (2020: GBP 7,059,609) are funds advanced by the shareholders to the Group. Shareholders' advances consist of GBP6,420,000 advanced by the UBO, subordinated bonds amounting to GBP189,259 (EUR211,633) owned by the Group's UBO were converted in favour of the Group and GBP 450,350 (EUR 500,000) capital injection by the UBO, classified as shareholders' advances. Shareholders' advances are repayable at the discretion of the Bank.

29. General banking risk reserve

Banking Rule 09 requires banks in Malta to hold additional reserves for general banking risks against non-performing loans. This reserve is required to be funded from planned dividend (retained earnings).

30. Excessive NPL Reserve

The excessive NPL reserve is being maintained as per Banking Rule 09 for banks undergoing a non-performing reduction plan.

31. Fair value reserve

The fair value reserve of the Bank is attributable to the cumulative net change in the fair value of investments measured at fair value through other comprehensive income, until the investment is derecognised.

32. Commitments

Commitments consist of further loan pay-outs amounted to GBP 1,752,160 (2020: GBP nil) under normal trading conditions.

33. Contingent liabilities

Contingent liabilities consist of a guarantee given by the Bank to a corporate client in favour of a third party which guarantee is fully cash collateralised.

34. Related party transactions

The directors consider that the ultimate beneficial owner is Frank J. Sekula II who has a 100% indirect and beneficial interest in the Bank as at the reporting date.

The parent company is AgriHoldings PLC, a company incorporated and registered in Malta, the registered address of which is Level 1, SkyParks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The parent company prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. A copy of the Annual report and Accounts of the ultimate parent company will be delivered to the Malta Business Registry.

During the course of banking operations, the Bank conducted business transactions with, its parent company and other related parties. Transactions and balances with related parties are disclosed in notes 2, 4, 5.1, 6, 14, 20, 21 and 28.

No expense has been recognised in the current period for bad and doubtful debts in respect of amounts due from related parties and there are no provisions for doubtful debts in respect of outstanding amounts due from related parties.

35. Fair values of financial assets and financial liabilities

The following is a description of the fair value measurement of financial assets and financial liabilities measured on a basis other than fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Finance lease receivables and loans to customers

As at 30 June 2021, the Group's carrying amount of finance lease receivables and loans to customers amounted to GBP 16,584,521 (2020: GBP 16,706,633). The finance lease receivables and loans to customers are granted on the basis of a negotiated interest amount depending on the category of underlying agricultural assets being financed. Interest rates in agricultural asset financing are relatively inelastic to market rates. Finance lease receivables and loans to customers which have been granted at certain interest rates would still be granted at the same interest rates as at end of the financial year. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Factored receivables

As at 30 June 2021, the Group's carrying amount of factored receivables amounted to GBP 2,246,236 (2020: GBP nil). These factoring consists of invoice funding to the European market mainly in the online advertising and publicity industry. Invoices purchased at a discount have a tenor of 90 days or 120 days. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Investments measured at amortised cost

As at 30 June 2021, the Group's carrying amount of investments held at amortised cost amounted to GBP 172,584 (2020: GBP 183,684). The movement in the value is due to exchange movement between their issuing currency and the functional currency of the Group. The intention is to have these investments used as high liquid assets and to be held up till maturity. These are investment in MGSs and are thus rated as investment grade with fixed rate coupons as fixed by the issuer (the Malta Government), with fixed redemption date with yield to maturity which can be arrived at with the discounted cash flow method. The fair value approximates the carrying amount and is based on public quoted prices and deemed to be a level 1 measurement.

Investments at fair value through other comprehensive income

As at 30 June 2021, the Group's carrying amount of investments at fair value through other comprehensive income amounted to GBP 2,101,166 (2020: GBP 2,324,505). These debt securities were acquired with the intention to have these investments pledged to the Depositors Compensation Scheme but also to be ready for sale in case they are no longer required for such purpose. These debt securities consist of MGSs and are thus rated as investment grade with fixed rate coupons as fixed by the issuer (the Malta Government), with fixed redemption date and with yield to maturity which can be arrived at with the discounted cash flow method. The carrying amounts therefore are at fair value based on publicly quoted prices and deemed to be a level 1 measurement.

Other financial assets and liabilities

Other financial assets and financial liabilities comprise cash and balances with Banks, accrued income, other receivables, accrued expenses, and other liabilities. As at 30 June 2021 and 2020, the carrying amounts of these financial instruments approximated their fair values due to their short-term maturities or the fact that they carry an arm's length interest rate.

35. Fair values of financial assets and financial liabilities (continued)

Amounts owed to banks and customers

This category of liabilities is measured at amortised cost and amounts to GBP 32,510,673 (2020: GBP 29,571,441) in the Group. Amounts owed to customers are at fixed rates. The rate of interest of GBP deposits was dictated by the market interest rate for similar deposits in the UK protected by the Depositors Compensation Scheme. The carrying amounts therefore are at fair value and are based on the discounted cash flow method and deemed to be a level 2 measurement.

Corporate current account balances bearing no interest and repayable on demand amounted to GBP24,219,502(2020: GBP17,781,620) whereas deposits in issue consisted of.

	Amount GBP	Average Coupon
Fixed Rate Savings Account 3 Year – Interest on Maturity in GBP	1,477,974	2.71%
Fixed Rate Savings Account 5 Year – Interest on Maturity in GBP	5,770,375	2.24%
Fixed Rate Savings Account 5 Year – Annual Interest in GBP	548,000	2.27%
Fixed Rate Savings Account 1 Year - Interest on Maturity in EUR	<u>429,740</u>	0.90%
	<u>8,226,089</u>	

Debt securities in issue

Debt securities in issue, like amounts owed to customers, are measured at amortised cost and amount to GBP 50,000 (2020: GBP 270,000) consisting of Agri Co-Invest Bonds 2020: GBP 50,000 (2020: GBP 270,000) at the end of the year carrying an average coupon rate of 4.91%. During the current financial year end, debt securities in issue were redeemed amounting to GBP220,000 (2020: GBP170,000). The rate of interest was dictated by the market interest rate for transferable bonds not protected by the Depositors Compensation Scheme in Malta. They comprised 3 to 5-year AgriBank Saver Bonds at a coupon rate of 4.91%. Their carrying amounts approximates fair value and are based on the discounted cash flow method and were deemed to be a level 2 measurement.

36. Risk management

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

The Group is also exposed to non-financial risks, namely operational risk.

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing the risks.

Risk Management Framework

With the exception of credit risk, the Audit Committee has overall responsibility for the establishment and oversight of the risk management framework. It is made up of three non-executive members of the Group's board of directors. It assists the Board of Directors in identifying, measuring monitoring and controlling the Group's key risks. It also reviews the current practices employed by the overall risk management structure within the Group. The Audit Committee's responsibilities extend to supervising regulatory capital management and risk-based performance measurement. This Committee is also responsible for ensuring the Group's exposures are in line with the risk appetite approved by the Board of Directors on an annual basis.

36. Risk management (continued)

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's finance lease receivable, loans to customers, investments (2020: Held to maturity investments) and cash and cash equivalents.

Credit risk constitutes the Group's most significant risk and arises mainly from lending activities. To identify, measure and manage its credit risk arising from all these activities, the Group has adequate methodologies, policies, procedures and expertise in place. The Group has adopted a policy of only dealing with creditworthy counterparties, using lending instruments which let it keep the ownership of the underlying assets in the lending contracts until expiration of the contracts, and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. In line with the exposure the Group has at the balance sheet date, the Credit Risk Committee monitors large client exposures and any conditions for the impairment of assets and allowances.

Exposure to credit risk

Except as stated below, the carrying amount of financial assets represents the maximum credit exposure and is shown gross, without considering any collateral or other credit enhancements, unless these credit enhancements qualify for offset in accordance with IAS 32 but net of expected credit losses.

The maximum exposure at the reporting date was primarily in relation to the following:

	The Group		The Company	
	2021	2020	2021	2020
	GBP	GBP	GBP	GBP
Cash and cash equivalents	18,922,008	16,870,276	6,706	7,101
Finance lease receivable	7,376,707	9,648,149	-	-
Loans to customers	8,822,182	6,644,780	-	-
Factored receivables	2,246,236	-	-	-
Fair value through other comprehensive income investments	2,101,166	2,324,505	-	-
Investments measured at amortised cost	172,584	183,684	-	-
	<u>39,640,883</u>	<u>35,671,394</u>	<u>6,706</u>	<u>7,424</u>

Loan commitments – the maximum exposure to credit risk arising on loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities is the full amount of the committed facilities.

The amount of cash and cash equivalents include GBP 1,009,771 (2020: GBP 157,930) pledged to the statutory Depositors' Compensation Scheme. The amount of exposure to credit risk of financial assets presented in the table above is equal to their carrying amount recognised on the balance sheet.

The exposures recognised on the statement of financial affairs are recognised at carrying value. From a credit risk view, cash and cash equivalents and investments are graded as 'regular' whereas finance lease receivable and loans to customers have different gradings as explained further in the current note.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Non-performing facilities are those credit facilities with payments on interest and/or capital overdue by 90 days or where the Group has reasons to doubt the eventual recoverability of funds. As at 30 June 2021, the Group had an amount of GBP 1,796,161 (2020: GBP 3,578,722) classified as non-performing facilities.

Allowances for impairment

As from 1st July 2018, in terms of IFRS 9, the Group began to apply an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses, if any, that have been incurred but have not been identified. The amount for allowances for the expected credit loss was GBP 402,786 (2020: GBP 289,381).

36. Risk management (continued)

Write-off policy

The Group writes off a loan/security balance and related allowances for impairment losses when it determines that the loan or security is uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The amount of write offs were GBP nil (2020: GBP 15,000). The contractual amount outstanding on financial assets and contract assets that were written off during the reporting period and are still subject to enforcement activity amounts to GBP nil.

Collateral and other credit enhancements obtained

In its asset financing lending, for hire purchase and finance leases, the Group owns the underlying assets up till the end of the financing contracts' duration. For loans, the Group actively uses collaterals in its credit risk mitigation. The Group's policy is to obtain collateral if and when required prior to the disbursement of approved loans mainly through liens on property and parcels of agricultural lands.

Estimates of fair value are based on the value of the collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not held over loans and advances to the parent company.

There were no collateral and other security enhancements held against finance lease receivables where the Group owns the underlying assets.

Collaterals consist of the following.

	The Group	
	2021	2020
	GBP	GBP
Land and renewables	14,170,894	11,446,403
Securities	2,923,573	2,955,204
Moveable property	16,611,685	16,993,079
	<u>33,706,152</u>	<u>31,394,687</u>

The above overall collaterals give a widespread coverage of the gross lending portfolio of the Group which amounts to GBP16,962,389 (2020: GBP16,988,013). This excludes factored receivables which are not secured but mostly insured. Collateral for Stage 3 financial assets (all consisting of loans and finance leases) amounted to GBP 2,816,720 (2020: GBP 6,526,961).

36. Risk management (continued)

Concentration of risks

The Group monitors concentrations of credit risk by sector, geographic location, and industry. An analysis of concentrations of credit risk at the reporting date is shown below:

The Group 2021

	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivables	FVOCI investments	Investments at amortised cost
	2021 GBP	2021 GBP	2021 GBP	2021 GBP	2021 GBP	2021 GBP
Carrying amount	18,922,008	7,376,707	8,822,182	2,246,236	2,101,166	172,584
Concentration by sector						
-Government	-	-	-	-	2,101,166	172,584
-Corporates	-	7,376,707	8,822,182	2,246,236	-	-
-Banks	18,915,247	-	-	-	-	-
	18,915,247	7,376,707	8,822,182	2,246,236	2,101,166	172,584
Concentration by industry						
-Agriculture and renewables	-	5,428,748	3,248,390	-	-	-
-Real Estate	-	206,352	2,662,237	-	-	-
-Online publicity and adverts	-	-	-	2,246,236	-	-
-Other	18,915,247	1,741,607	2,211,555	-	2,101,166	172,584
	18,915,247	7,376,707	8,822,182	2,246,236	2,101,166	172,584
Concentration by geography						
-Malta	18,915,247	-	3,216,540	-	2,101,166	172,584
-EU	-	-	1,718,850	2,246,236	-	-
-UK	-	7,376,707	4,272,424	-	-	-
	18,915,247	7,376,707	9,207,814	2,246,236	2,101,166	172,584

36. Risk management (continued)

	2020				
	The Group 2020				
	Cash and cash equivalents	Finance lease receivable	Loans to customers	FVOCI investments	Investments measured at amortised cost
	2020 GBP	2020 GBP	2020 GBP	2020 GBP	2020 GBP
Carrying amount	16,870,276	9,648,149	6,644,780	2,324,505	183,684
Concentration by sector					
-Government	-	-	-	2,324,505	183,684
-Corporates	-	9,648,149	6,644,780	-	-
-Banks	16,870,276	-	-	-	-
	16,870,276	9,648,149	6,644,780	2,324,505	183,684
Concentration by industry					
-Agriculture and renewables	-	9,648,149	6,644,780	-	-
-Other	16,870,276	-	-	2,324,505	183,684
	16,870,276	9,648,149	6,644,780	2,324,505	183,684
Concentration by geography					
-Malta	3,516,281	-	2,132,765	2,324,505	183,684
-UK	13,353,995	9,648,149	4,512,015	-	-
	16,870,276	9,648,149	6,644,780	2,324,505	183,684

The Group assigns limits on the level of credit risk undertaken in relation to any single counterparty or sovereign exposure in accordance with external ratings based on the three main external credit rating institutions, 'ECAIs', namely Fitch, Moody's and Standard & Poor's.

Changes in credit ratings are monitored on a daily basis and are subject to frequent review, when considered necessary. The limits on the level of credit risk are reviewed consistently and approved by the BoD at regular intervals. Actual exposures are monitored against limits on an ongoing basis. The Group enters into security transactions only with such authorised counterparties and it invests only in securities or paper with credit quality that falls within specific parameters stated in the treasury management policy.

36. Risk management (continued)

Credit quality

Current year

The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)	Total
	GBP	GBP	GBP	GBP
Cash and cash equivalents				
<i>External rating grades</i>				
AAA - A	15,786,259	-	-	15,786,259
A - BBB-	1,415,277	-	-	1,415,277
No rating	1,720,672	-	-	1,720,672
Gross carrying amount at 30 June 2021	18,922,208	-	-	18,922,208
Loss allowance at 30 June 2021	-	-	-	-
Net carrying amount at 30 June 2021	18,922,208	-	-	18,922,208

Loans to customers

Internal rating grades

Regular	7,202,761	-	-	7,202,761
Watch list	-	1,568,382	-	1,568,382
In Default	-	-	105,791	105,791
Gross carrying amount at 30 June 2021	7,202,761	1,568,382	105,791	8,876,934
Loss allowance at 30 June 2021	(29,963)	(23,826)	(963)	(54,752)
Net carrying amount at 30 June 2021	7,172,798	1,544,556	104,828	8,822,182

Finance lease receivable

Internal rating grades

Regular	5,746,750	-	-	5,746,750
Watch list	-	330,709	-	330,709
In Default	-	-	1,619,563	1,619,563
Gross carrying amount at 30 June 2021	5,746,750	330,709	1,619,563	7,697,022
Loss allowance at 30 June 2021	(20,220)	(25,291)	(274,804)	(320,315)
Net carrying amount at 30 June 2021	5,726,530	305,418	1,344,759	7,376,707

36. Risk management (continued)

Factored Receivables

Internal rating grades

Regular	1,932,266	-	-	1,932,266
Watch list	-	328,038	-	328,038
In Default	-	-	-	-
Gross carrying amount at 30 June 2021	1,932,266	328,153	-	2,260,304
Loss allowance at 30 June 2021	(10,545)	(3,523)	-	(14,068)
Net carrying amount at 30 June 2021	1,921,606	324,630	-	2,246,236

Investments at amortised cost

Internal rating grades

Regular	172,584	-	-	172,584
Watch list	-	-	-	-
In Default	-	-	-	-
Gross carrying amount at 30 June 2021	172,584	-	-	172,584
Loss allowance at 30 June 2021	-	-	-	-
Net carrying amount at 30 June 2021	172,584	-	-	172,584

Fair Value through other comprehensive income Investments

Internal rating grades

Regular	2,101,166	-	-	2,101,166
Watch list	-	-	-	-
In Default	-	-	-	-
Gross carrying amount at 30 June 2021	2,101,166	-	-	2,101,166
Loss allowance at 30 June 2021	-	-	-	-
Net carrying amount at 30 June 2021	2,101,166	-	-	2,101,166

Loan Commitments

Internal rating grades

Regular	1,752,160	-	-	1,752,160
Watch list	-	-	-	-
In Default	-	-	-	-
Gross carrying amount at 30 June 2021	1,752,160	-	-	1,752,160
Loss provision at 30 June 2021	-	-	-	-
Net carrying amount at 30 June 2021	1,752,160	-	-	1,752,160

36. Risk management (continued)

Comparative year

The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)	Total
	GBP	GBP	GBP	GBP
Cash and cash equivalents				
<i>External rating grades</i>				
AAA - A	2,325,512	-	-	2,325,512
A - BBB-	14,537,663	-	-	14,537,663
No rating	-	-	-	-
C - D-	-	-	-	-
Gross carrying amount at 30 June 2020	16,863,175	-	-	16,863,175
Loss allowance at 30 June 2020	-	-	-	-
Net carrying amount at 30 June 2020	16,863,175	-	-	16,863,175

Loans to customers

Internal rating grades

Regular	6,450,739			6,450,739
Watch list		105,791		105,791
In Default			544,028	544,028
Gross carrying amount at 30 June 2020	6,450,739	105,791	544,028	7,100,558
Loss allowance at 30 June 2020	(35,907)	(860)	(5,306)	(42,074)
Net carrying amount at 30 June 2020	6,414,832	104,931	538,721	7,058,484

Finance lease receivable

Internal rating grades

Regular	5,413,204	-		5,413,204
Watch list		1,489,301		1,489,301
In Default		-	2,984,950	2,984,950
Gross carrying amount at 30 June 2020	5,413,204	1,489,301	2,984,950	9,887,456
Loss allowance at 30 June 2020	(14,863)	(21,189)	(203,254)	(239,307)
Net carrying amount at 30 June 2020	5,398,341	1,468,113	2,781,695	9,648,149

36. Risk management (continued)

Investments at amortised cost

Internal rating grades

Regular	183,812	-	-	183,812
Watch list	-	-	-	-
In Default	-	-	-	-
Gross carrying amount at 30 June 2020	183,812	-	-	183,812
Loss allowance at 30 June 2020	(129)	-	-	(129)
Net carrying amount at 30 June 2020	183,684	-	-	183,684

Fair Value through other comprehensive income Investments

Internal rating grades

Regular	2,324,505	-	-	2,324,505
Watch list	-	-	-	-
In Default	-	-	-	-
Gross carrying amount at 30 June 2020	2,324,505	-	-	2,324,505
Loss allowance at 30 June 2020	-	-	-	-
Net carrying amount at 30 June 2020	2,324,505	-	-	2,324,505

Liquidity risk

The Group defines liquidity risk as the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they fall due.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	2020	The Group					2021
		Recognition of lease liabilities upon first-time adoption of IFRS 16 (note 4)	Cash Inflow/ (Outflows)	Other changes	Non-cash changes Foreign exchange movements	Other changes	
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Debt securities in issue (note 24)	1,903,074	-	1,780,000	-	(99,762)	-	3,583,312
Accruals (note 26)	911,970	-	(274,063)	-	19,987	-	657,894
Lease liabilities (note 16)	152,755	-	(75,803)	-	-	-	76,952
	2,967,799	-	1,430,134	-	(79,775)	-	4,318,158

36. Risk management (continued)

	2019		Cash	Non-cash changes			2020
		Recognition of lease liabilities upon first-time adoption of IFRS 16 (note 4)	Outflows	Other changes	Foreign exchange movements	Other changes	
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Debt securities in issue (note 24)	2,035,396	-	(170,000)	-	37,678	-	1,903,074
Accruals (note 26)	868,182	-	-	-	43,788	-	911,970
Lease liabilities (note 16)	-	208,612	(64,982)	6,524	2,601	-	152,755
	1,992,019	208,612	(234,982)	(36,589)	38,167	-	1,967,227

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity position daily. The Group maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, to ensure that sufficient liquidity is maintained with the Group as a whole.

All liquidity policies and procedures are subject to review and approval by the Board of Directors "BoD", which is subject to a liquidity limit imposed by the regulator. The Chief Financial Officer is responsible for the daily monitoring of liquidity procedures and ratios.

Liquidity gaps showing size and maturity mismatches of assets and liabilities together with liquidity stress testing are also being established.

The table on the next page analyses the Group's main financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The analysis includes both interest and principal cash flows.

2021							
	Carrying amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Amounts owed to customers	32,510,673	33,258,592	24,309,583	-	2,222,714	5,978,375	32,510,673
Debt securities in issue	50,000	50,652	-	-	50,000	-	50,000
Lease liabilities	76,952	86,216	16,445	33,877	16,938	9,692	76,952
Senior secured bonds	3,533,312	4,228,461	-	-	-	3,533,312	3,533,312
	36,178,184	37,390,123	24,326,028	33,877	2,289,653	9,528,625	36,178,184

36. Risk management

2020							
	Carryi amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Amounts owed to customers	29,571,441	30,045,630	17,932,620	30,000	7,643,228	3,965,593	29,571,441
Debt securities in issue	270,000	279,425	-	-	220,000	50,000	270,000
Lease liabilities	152,755	159,159	16,534	16,214	32,376	87,650	152,755
Senior secured bonds	1,633,074	1,991,330	-	-	-	1,633,074	1,633,074
	<u>31,627,270</u>	<u>32,475,544</u>	<u>17,949,135</u>	<u>46,214</u>	<u>7,895,604</u>	<u>5,736,317</u>	<u>31,627,270</u>

Assets available to meet these liabilities include cash at bank, loan receivable and finance lease receivables.

Residual contractual maturities of financial assets and financial liabilities

The table below analyses the principal assets and liabilities with contractual maturities that are recognised in the statements of financial position into relevant maturity groupings, based on the remaining period at balance sheet date to their contractual maturity date.

2021				
	Less than 3 months	Between 3 and 12 months	Between 1 and 7 years	Total
	GBP	GBP	GBP	GBP
Assets				
Finance lease receivable	1,033,134	1,701,227	4,642,345	7,376,707
Loans to customers	439,651	1,534,207	6,848,325	8,822,182
Factored receivables	2,246,236	-	-	2,246,236
Cash and cash equivalents	17,803,397	-	-	17,803,397
	<u>21,522,419</u>	<u>3,235,435</u>	<u>11,490,669</u>	<u>52,447,412</u>
Liabilities				
Amounts owed to customers	24,309,584	2,222,714	5,978,375	32,510,673
Debt securities in issue	-	50,000	-	50,000
Leased liabilities	50,322	16,938	9,692	76,952
Subordinated liabilities	-	-	3,533,312	3,533,312
	<u>24,593,906</u>	<u>2,289,653</u>	<u>9,528,625</u>	<u>36,170,938</u>

36. Risk management (continued)

2020				
	Less than 3 months GBP	Between 3 and 12 months GBP	Between 1 and 7 years GBP	Total GBP
Assets				
Finance lease receivable	1,280,871	1,876,817	6,490,461	9,648,149
Loans to customers	729,895	2,381,489	3,533,442	6,644,780
Cash and cash equivalents	16,712,346	-	157,930	16,870,276
	18,716,011	4,258,306	10,595,491	33,569,808
Liabilities				
Amounts owed to customers	17,962,620	7,643,228	3,965,593	29,571,411
Debt securities in issue	-	220,000	50,000	270,000
Leased liabilities	32,729	32,376	87,650	152,755
Subordinated liabilities	-	-	1,633,074	1,633,074
	17,995,349	7,895,604	5,736,317	31,627,270

Banking Rule 07 transposing the provision of the EBA Guidelines on Disclosures of Encumbered, and Unencumbered Assets (EBA/GL/2014/03) requires disclosure on asset encumbrance. The Group is in compliance with the contents thereof.

This disclosure provides details of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is considered as encumbered when it has been pledged as collateral against an existing liability, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

Asset Encumbrance	Carrying amount of encumbered assets GBP	Fair value of encumbered assets GBP	Carrying amount of unencumbered assets GBP	Fair value of unencumbered assets GBP
The Bank				
As at 30 June 2021				
Investments	2,102,759	2,101,166	172,584	172,584
Finance lease receivable	-	-	7,697,022	7,376,707
Loans to customers	-	-	9,265,366	9,207,814
Factoring	-	-	2,260,305	2,246,236
Cash and cash equivalents	1,009,771	1,009,771	17,905,475	17,905,475
	2,102,759	3,110,937	37,300,752	36,908,816

Asset Encumbrance	Carrying amount of encumbered assets GBP	Fair value of encumbered assets GBP	Carrying amount of unencumbered assets GBP	Fair value of unencumbered assets GBP
The Bank				
As at 30 June 2020				
Investments	2,326,159	2,324,505	183,684	183,684
Finance lease receivable	-	-	9,887,456	9,648,149
Loans to customers	-	-	7,100,558	7,058,484
Cash and cash equivalents	157,930	157,930	16,705,245	16,705,374
	2,484,089	2,482,435	33,876,943	33,595,690

36. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At balance sheet date, the Group assets and liabilities were all denominated in GBP or Euro. The Group has a short position in Euro of GBP 234,368 (2020: long position GBP 542,750). With an increase of 100pips in the EUR against the GBP, the Group net asset will be reduced approximately by GBP 86,620 whereas with a decrease in the EUR against the GBP of 100pips the Group's net asset value will increase by GBP 79,237.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that these are carried at fair value. However, interest rate risk is deemed to be non-material as contracted lending, deposit taking and all financial instruments have fixed interest rates. None of the borrowings and debt instruments are carried at fair value.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Capital allocation for operational risk is based upon the basic indicator approach which takes 15% of the average gross interest and non-interest income of the Group for the last three years. The operational risk capital allocation for the Group was GBP168,689 (2020: GBP 160,840).

36. Risk management (continued)

Capital risk management

The Group's capital management approach ensures a sufficient level of capitalisation to manage the risk exposures at hand while enabling business growth and providing adequate returns to the shareholders. Risk capital management does not in any way substitute risk mitigation measures. It is vital that the structure of limits and thresholds should be able to prevent concentrations of risk from building up in such a way as to compromise a significant portion of the Group's capital resources.

The Basel III implementation program together with the ICAAP implementation have been assigned to the Group's senior management and will be executed in parallel with the growing operations of the Group.

Capital management is under the direct control of the BoD. At reporting date, the Group's funding was based on own funds (both Tier 1 and Tier 2 capital).

The following table shows the components and basis of calculation of the Bank's Capital Adequacy ratios.

	The Bank	
	2021	2020
	GBP	GBP
Own funds		
Tier 1		
- Ordinary shares	6,950,350	6,500,000
- Shareholders' advances	2,189,259	639,609
- Accumulated losses	(2,948,221)	(2,728,900)
- Intangible assets	(35,748)	(56,714)
- Deferred tax asset	-	-
	<u>6,155,641</u>	<u>4,353,995</u>
Additional own funds	-	-
Total Tier 1	<u>6,155,641</u>	<u>4,353,995</u>
Tier 2		
Subordinated liabilities	<u>1,014,345</u>	<u>1,387,380</u>
Total Tier 2 Capital	<u>1,014,345</u>	<u>1,387,380</u>
Total own funds	<u>7,169,985</u>	<u>5,741,376</u>

36. Risk management (continued)

	Face value	Risk weighted assets	Face value	Risk weighted assets
	2021	2021	2020	2020
	GBP	GBP	GBP	GBP
-Cash and cash equivalents	18,915,247	647,518	16,863,175	2,925,501
-Investments	2,273,750	454,750	2,509,971	-
-Finance lease receivable	7,376,344	8,000,877	9,887,456	8,978,630
-Loans to customers	9,208,177	6,672,015	6,819,177	5,181,020
-Factoring	2,246,236	2,246,236	-	-
-Deferred tax asset	-	-	-	-
-Other assets	2,078,557	2,042,809	1,601,555	1,544,840
	<u>42,098,311</u>	<u>20,064,205</u>	<u>37,681,334</u>	<u>18,629,991</u>
Foreign exchange risk		234,362		130,403
Operational risk		<u>2,108,607</u>		<u>2,010,500</u>
Total Risk Weighted Assets		<u>22,407,174</u>		<u>20,770,894</u>
Capital Adequacy Ratio				
Tier 1 Total Capital Ratio		27.47%		20.96%
Total Capital Ratio		32.11%		27.64%

37. Registered office

The registered and principal office of AgriBank PLC (C57067) is Level 1, SkyParks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The company is a public limited company incorporated in Malta.

38. Assets held for realisation

The assets held for realisation mainly comprise movable properties that were held as collateral for outstanding financial lease receivables, which properties were taken into the possession of the Group following defaults by the counterparty. The Group's policy is to dispose of such assets within a reasonable timeframe, which is generally not more than twelve months from the date of possession, unless events or circumstances which are beyond the Group's control extend the period to complete the sale. Both assets held for sale as at 30th June 2021 have been re-possessed in the previous financial year. A gain of GBP6,259 was made on the disposal of assets held as at 1st July 2020 which were sold during the current financial year.

Such assets meet the criteria for classification as non-current assets held for sale in accordance with IFRS 5. These properties are classified within Level 3 and are treated like property and equipment and assessed regularly for their value to approximate their realisation value. The valuation assessment takes into consideration the market price for each separate asset held for realisation after deducting any brokerage, transportation, and marketing costs to sell it. Prices are obtained through specialised brokers in the UK but also through online existent secondary markets for machinery. During the current year, there was a reduction in the carrying value of assets held for realisation of GBP286,780. Netting the effect of the gain on disposal and reduction in the asset held for sale's carrying value results in a loss of GBP10,251 (2020: GBP 25,298).

39. Events after the reporting period

On 1st July 2021, the Group changed its functional and presentation currency from GBP to EUR. This change was brought about by the transition of its main revenue earning assets from GBP to EUR, in line with the Group's new lending streams. EUR revenue earning assets are expected continue to increase significantly in the future, hence generating predominantly EUR denominated income. A negative currency translation reserve of EUR496,493 for the Group arose as a result of this translation. The Group updated its memorandum and articles of association to reflect this change, which includes the redenomination of Ordinary shares in Euro. This has been filed with the Malta Business Registry.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute “forward-looking statements”, including but not limited to statements relating to the anticipated effect of transactions described herein, risks arising from the current market crisis and other risks specific to Group’s business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent The Group’s judgments and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from The Group’s expectations.

These factors include, but are not limited to:

- (1) the extent and nature of future developments in the market segments that have been or may be affected by the current market crisis and their effect on The Group’s assets and exposures;
- (2) developments affecting the availability of capital and funding to The Group and other credit institutions, including any changes in The Group’s credit spreads and ratings;
- (3) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates;
- (4) changes in internal risk control and limitations in the effectiveness of The Group’s internal processes for risk management, risk control, measurement and modelling, and of financial models generally;
- (5) the degree to which The Group is successful in implementing its business and development plans, and whether those plans will have the effects anticipated;
- (6) changes in the financial position or creditworthiness of The Group’s clients, obligors and counterparties, and developments in the markets in which they operate, including possible failures resulting from the current market crisis and adverse economic environment;
- (7) management changes and changes to the internal or overall structure of The Group;
- (8) the occurrence of operational failures, such as fraud, unauthorised trading and systems failures;
- (9) legislative, governmental and regulatory developments, including the effect of more stringent capital requirements and of regulatory constraints on The Group’s activities;
- (10) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other assets or other matters;
- (11) changes in and the effect of competitive pressures, including the possible loss of key employees as a result of compensation issues or for other reasons;
- (12) jurisdictional changes due to the process and outcome of Brexit and hence the Group’s continued full access to the UK market;
- (13) Covid19 pandemic effects on business in general, opening of new bank accounts and lending origination.
- (14) technological developments; and
- (15) the impact of all such future developments on positions held by The Group, on its short-term and longer-term earnings, on the cost and availability of funding and on The Group’s capital ratios. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports. The Group is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding GBP amounts presented throughout this report may not add up precisely to the totals provided in the tables. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded.

Independent auditor's report

to the members of
AgriHoldings plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AgriHoldings plc (the Company) and the consolidated financial statements of the Company and its subsidiary, AgriBank PLC (the Bank), together the Group, set out on pages 28 to 80, which comprise the statements of financial position as at 30 June 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AgriHoldings plc and its Group as at 30 June 2021, and of the Company's and its Group's financial performance and 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 *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 *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and its Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below pertains to the audit of the consolidated financial statements. There were no key audit matters identified in relation to the audit of the individual financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

As at 30 June 2021 the Group reported total gross loans of GBP19,222,693 (2020: GBP16,988,013) and expected credit loss (ECL) provisions of GBP391,936 (2020: GBP281,380). Directors' judgements and estimates are especially subjective due to significant uncertainty associated with the assumptions used.

Deloitte Audit Limited is a limited liability company registered in Malta with registered office at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta. Deloitte Audit Limited forms part of the Deloitte Malta firm. The Deloitte Malta firm consists of (i) Deloitte, a civil partnership regulated in terms of the laws of Malta, constituted between limited liability companies, operating at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta and (ii) the affiliated operating entities: Deloitte Services Limited (C51320), Deloitte Advisory and Technology Limited (C23487), Deloitte Audit Limited (C51312) and Malta International Training Centre Limited (C5663), all limited liability companies registered in Malta with registered offices at Deloitte Place, Triq L-Intornjatur, Central Business District, CBD 3050 Malta. The Deloitte Malta firm is an affiliate of Deloitte Central Mediterranean S.r.l., a company limited by guarantee registered in Italy with registered number 09599600963 and its registered office at Via Tortona no. 25, 20144, Milan, Italy. For further details, please visit www.deloitte.com/mt/about.

Deloitte Central Mediterranean S.r.l. is the affiliate for the territories of Italy, Greece and Malta of Deloitte NSE LLP, a UK limited liability partnership and member firm of Deloitte Touche 182
Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL, Deloitte NSE LLP and Deloitte Central
Mediterranean S.r.l. do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Impairment of loans and advances to customers (continued)

Uncertainty associated with COVID-19 and its consequent implications including curtailment of economic activity and recovery assumptions as well as government intervention, increased the level of judgement in the expected credit loss (ECL) calculation.

Assumptions with increased complexity in respect of the timing and measurement and disclosure of ECL include:

- **Staging** - Allocation of assets by extent of potential impairment (stage 1, 2, or 3) using criteria in accordance with IFRS 9- *Financial Instruments* (IFRS 9) considering the impact of COVID-19 and related government support measures on customer behaviours and the identification of underlying significant deterioration in credit risk;
- **Model Estimations** - Accounting interpretations and modelling assumptions used to build the models that calculate the ECL, including completeness and accuracy of data used to calculate the ECL and impact of COVID-19 on macroeconomic data used in the ECL model ;
- **Economic scenarios** - Inputs and assumptions used to estimate the impact of multiple economic scenarios;
- **Post model adjustments** - Assumptions used to estimate the possible impact of COVID-19 on certain customers and/or sectors and any resulting model adjustments ;
- **Individual provisions** - Measurements of individually assessed provisions including the assessment of multiple scenarios; and
- **Disclosure** - Accuracy and adequacy of the financial statement disclosures.

Our audit response to address the risk of material misstatement arising from the ECL provisioning comprised the following:

- We tested the design, implementation and operating effectiveness of the key controls across the processes relevant to the ECL calculation. These Group processes included model governance, the allocation of assets into stages, data accuracy and completeness, preparation of multiple economic scenarios, post model adjustments, individual provisions and disclosures;
- We reviewed and challenged the inputs, assumptions and adjustments to the ECL calculation, with particular reference to the impact of COVID-19 on the macroeconomic data used in the model;
- We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage;
- To verify data quality, we tested the data used in the ECL calculation by reconciling to source systems. To test credit monitoring, we recalculated the credit grading for a sample of performing loans;
- We assessed the completeness and appropriateness of any post model adjustments;
- We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We considered trends in the economy and industries to which the Group are exposed;
- For a sample of individually impaired loans we evaluated the specific circumstances of the customer, including latest available information, the basis for measuring the impairment provision, and whether key judgements were appropriate. We re-performed management's impairment calculations, which were largely based on the expected recovery from collateral held. We tested the valuation of collateral challenging subjective estimates by referring to actual historical recovery data; and

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Impairment of loans and advances to customers (continued)

- We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and regulatory considerations and expectations of the COVID-19 specific disclosures.

The Group's disclosures about impairment are included in Notes 1e, 1v, 7, 13, 14, 15 and 36, which include the directors' assessment of the adequacy of the impairment provisions.

Information Other than the Financial Statements and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the directors' report on pages 3 to 6, Corporate governance statement of compliance on pages 7 to 8, risk management and control on pages 9 to 12, risk concentrations on page 13 to 21, capital management on pages 22 to 23, remuneration policy on page 24, internal audit on page 25, shares and capital instruments on page 26, share register information on page 27 and cautionary statement regarding forward looking statements on page 81 but does not include the consolidated financial statements and our auditor's report thereon.

Except for our opinion on the Directors' report in accordance with the Companies Act (Cap. 386) and on the Corporate Governance Statement in accordance with the Prospects Multi Trading Facility Company ("MTF") Rules issued by the Malta Stock Exchange, our opinion on the financial statements does not cover the other 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 identified above 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of article 177 of the Companies Act (Cap. 386), and the statement required by Listing Rule 5.62 on the Company's and the Group's ability to continue as a going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 3 to 6, in our opinion, based on the work undertaken in the course of the audit:

- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the directors and the Audit Committee for the Financial Statements

As explained more fully in the Statement of directors' responsibilities on page 6, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Companies Act (Cap.386) and the Banking Act (Cap.371), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Responsibilities of the directors and the Audit Committee for the Financial Statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group'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 the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the Company's and the Group's financial reporting process to the Audit Committee.

Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Company's and the Group's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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.

In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Company or of the Group, or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company and the Group. The financial position of the Company or the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Company or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company or the Group and to identify any facts or circumstances that may be materially relevant thereto.

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.

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 or the Group'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 or the Group'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 or the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's or the Group's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the 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.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Corporate Governance Statement

In order for a Prospects MTF Company to remain admitted to the exchange, the Prospects Rules issued by the Malta Stock Exchange require that the company shall comply with, provide equivalent disclosure, or explain the extent to which it adheres to, the relevant corporate governance standards, in this case Appendix 5.1 to Chapter 5 of the Listing Rules, issued by the Maltese Listing Authority, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement is to contain at least the information set out in Listing Rule 5.97

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Corporate Governance Statement in the Company's annual financial report.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement contains at least the information set out in Listing Rule 5.97.

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

In our opinion, the Corporate Governance Statement set out on pages 7 to 8 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

Matters on which we are required to report by exception pursuant to the Companies Act (Cap. 386) in addition to those reported above

We have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper 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; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Independent auditor's report (continued)

to the members of
AgriHoldings plc

Auditor tenure

We were first appointed to act as statutory auditor of the Company and its Group, following the Company's debt listing in financial year ended 30 June 2018, by the members of the Company on 27 September 2018 for the financial year ended 30 June 2019, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity including previous reappointments of the firm is 3 financial years.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of Article 11 of the EU Audit Regulation No. 537/2014.



Michael Bianchi as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.

12 October 2021