THE CONVENIENCE SHOP (HOLDING) PLC
C 87554

Marant Food Products, Mdina Road,
Zebbug, ZBG 9017, Malta
(the "**Company**")

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by the Company on the 26th April 2021, in terms of the Prospects MTF Rules issued by the Malta Stock Exchange.

Quote

The Company gives notice that during the meeting of the Board of Directors of the Company held on the 26th April 2021 (the "**Board Meeting**"), the Board of Directors approved the Annual Report and Audited Financial Statements for the financial year ended 31st December 2020 and resolved to propose the same for the approval of the shareholders at the Annual General Meeting being held on the 29th April 2021.

The Annual Report and Audited Financial Statements of the Company are available for viewing on the Company's website on: https://www.theconvenienceshop.com/investors-announcement/. During the Board Meeting, the Board further resolved to recommend to the Annual General Meeting the distribution of a net dividend in the amount of one hundred and twenty-four thousand Euro (€124,000).

The Company notes that the profit before tax for the financial statements of the Company for the year ended 31 December 2020 amounted to €1.0 million, representing an adverse variance of €0.6 million when compared with the Financial Sustainability Forecasts published by means of Company Announcement CVS23, given that the projections had forecasted a profit before tax of €1.6 million. The difference is mainly attributable to a material adverse variance in the Group's turnover as a result of the COVID-19 pandemic, in particular the impact of the COVID-19 pandemic on the outlets located in touristic areas, and higher operating costs incurred by the Group to amongst others, protect the health and safety of customers and employees. Moreover, management has prudently increased provisions for stock variances.

Unquote

Richard Deschrijver - Company Secretary

Date: 26th April 2021

Company Registration No.: C 87554

THE CONVENIENCE SHOP (HOLDING) PLC

Annual Report
and
Consolidated Financial Statements

31 December 2020

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GENERAL INFORMATION

Registration

The Convenience Shop (Holding) plc ("the Company") is registered in Malta as a limited liability company under the Companies Act (Cap. 386) with registration number C 87554.

Directors

Ivan Calleja
Kevin Deguara
Benjamin Muscat
Joseph Pace
Manuel Piscopo
Charles Scerri

Company Secretary

Richard Deschrijver

Registered Office

Marant Food Products
Mdina Road
Zebbug ZBG 9017
Malta

Bankers

Bank of Valletta p.l.c.
219-220
Triq ix-Xatt
Gzira GZR 1022
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

DIRECTORS' REPORT

for the year ended 31 December 2020

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

The Directors who served during the period and up till the date of this report are as follows:

Ivan Calleja
Kevin Deguara
Benjamin Muscat
Joseph Pace
Manuel Piscopo
Charles Scerri

Overview

The Convenience Shop (Holding) plc ("the Company" or "the Parent Company") was incorporated on 26 July 2018 as the Parent Company and the finance arm of The Convenience Group (the "Group"). The Group of which the Company is the parent consists of the entities as detailed below.

In 2019, the Company announced the offer of €5,000,000 5% unsecured bonds callable 2026-2029, issued in terms of the Company Admission Document dated the 8 March 2019 ('the Bonds'). Bond subscriptions closed on the 22 March 2019 with the bond being fully subscribed and admitted to the Prospects MTF on the 28 March 2019. The funds were utilised for the acquisition of going concern businesses, to repay balances due to shareholders and to finance new shop openings.

During 2019 the Company either acquired or made investments in the following companies:

- The Convenience Shop Limited (C 87556)
- The Convenience Shop Management Limited (C87711)
- Daily Retail Challenges Limited (C79662)
- Aynic & Co. Limited (C74750)
- Seafront Express Limited (C73435)
- Gbake Manufacturing Limited (C60422)
- GNJ Company Limited (C88969)
- Gbake Retail Limited (C60421)
- The Convenience Shop for Puttinu Cares (C90748)

During the year under review, the Company entered into a share transfer agreement through which it purchased the remaining shares of Aynic & Co. Limited.

Principal activities

The principal activities of the Group relate to the operation of a chain of mini market stores under The Convenience Shop brand in Malta with a current shop count of 37 owned shops and 34 franchised shops as at 31 December 2020.

Review of the business trading performance

During the great part of 2020, the global economy was impacted by the effects and restrictions imposed on activity to counter the spread of the COVID-19 pandemic. Across the world, governments were induced to take measures to limit the transmission of the virus with devastating effects on consumer and business confidence. This translated into a significant contraction in the economic activity of countries including Malta.

The Group had a roller coaster effect on its business. Initially the positive spill-over effects on groceries spending brought about by the pandemic, together with the introduction of an online portal, registered satisfactory results. However, in the latter part of 2020, the Group experienced a decline in revenue from stores located in tourist areas. The Northern and Northern Harbour regions were adversely impacted with the vast majority of the stores located in these regions seeing a reduction in customer footfall due to the decline in tourism and sudden departure of thousands of expats. (76% less passengers in 2020). Nonetheless, the Group still opened five stores in St Paul's Bay, Bugibba, Qawra, Gzira and Sliema, with revenue generated from these outlets cushioning the impact from the pandemic whilst paving the Group's way for the recovery period.

Business in the non-touristic regions experienced different cycles. In Q1 2020, The Convenience Shop Group acquired a new store in Rabat and took over ownership and management of two franchised stores. Conversely, the Group closed off two underperforming stores in the central region.

The pandemic also induced a change in customer behaviour. The Group experienced a positive customer spending spill-over effect in the retail sector. Throughout the year, customers changed their behaviour with less frequent outlet visits and an increase in the average sales transaction, though the Group did see a gradual increase in outlet footfall as the general public adjusted to the new norm. The Group responded to this shift in customer spending patterns by launching an on-line shopping platform and adjusting opening hours in line with customer requirements. In 2020, the Group also completed the category management exercise in all owned stores, optimising space-to-sales and space-to-margin opportunities resulting in further rationalisation and enhancement of products. Category management extended product categories and ranges to reflect the specific needs of customers in each location. Fresh fruit and vegetables and fresh meat sections were introduced in more than 50% of our stores.

Despite the many challenges faced, the Convenience Shop Group acted in a timely manner by taking a number of actions to support customers, employees and the business.

Notwithstanding, the Group registered a good financial performance with a profit before tax of €1 million for the year ended 31 December 2020, a turnover of €32.9 million and a gross profit of €3.5 million (16-month period ending 31 December 2019 - €1.7 million, €39.6 million and €6 million respectively). This is considered to be a satisfactory performance taking into consideration the changed business landscape and consumer behaviour brought about by the pandemic.

When comparing these results with the Forecast as submitted through the Company Announcement CVS22 on 11 August 2020, the adverse variance in the profit before tax of €0.53 million is mainly attributable to lower turnover as a result of the COVID-19 pandemic as explained earlier and higher operating costs to amongst others, ensure safety and infection prevention. Moreover, provisions for stock pilferages were higher than envisaged in the Forecast. Management has revised the forecast for 2021 which will be published with the Annual Report.

The Group's number one priority remains the health and well-being of its employees and customers. All stores have effective health and safety measures and procedures for infection prevention in place, including social distancing measures and personal protective equipment, as well as guidelines to limit the number of customers in store. In addition, head office staff were given the opportunity to work remotely from home throughout the partial lockdown periods.

The pandemic has brought about an unprecedented and challenging year for all employees. The Board is proud of the way employees have responded to the challenges faced by the Group and would like to take the opportunity to thank them for their commitment.

Financial position

The Group's total assets as at 31 December 2020 amounted to €33.6 million (as at 31 December 2019 - €25.8 million).

Although during 2020, the pandemic has put pressure on the ability to generate cash, the Group remains highly liquid. Cash and cash equivalents as at 31 December 2020 amounted to €1.1 million (as at 31 December 2019 - €1.8 million) .

The Group's net borrowings (excluding the lease liability in terms of IFRS 16) amounted to €6 million (as at 31 December 2019 - €9.6 million). Total equity of the Group including shareholders' loans amounted to €3.4 million (as at 31 December 2019 - €4.3 million).

Despite the effects of the pandemic, the Group continued strengthening its retail network by opening six new outlets and taking over ownership and management of two franchised stores. In 2020, the Group's investing activities amounted to €1.2 million. Moreover, the Group is continuing the upgrade of existing outlets in order to ensure that the look and feel of the shops is consistently of good quality across the entire network.

Financial risk management

The Group and the Parent Company are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, as disclosed in Note 28 to the financial statements.

Outlook for 2021 and events subsequent to the financial reporting date

The Group is striving to implement a robust plan across the entire business focusing on initiatives within its control that support the Group in the immediate term and position it well to emerge stronger when markets recover.

The Group is investing in people and systems to enhance stock management across all outlets with the aim of improving the Group's stock holding to reflect ongoing demand. Focus is also directed at strengthening stock control and identifying potential issues in a timely manner.

Management is working to reduce head office costs by enhancing process efficiencies and focusing on cost containment, completing restructuring in stores and head office to minimise discretionary spend.
In Q2 of 2021 the Group is investing in a time and attendance system and introducing new controls and procedures to monitor cost of labour across all outlets. This system will help the Group contain operational costs by re-aligning man hours across different outlets, according to store size and turnover.

Looking ahead, value creation to its shareholders remains central to the Group's plans as it continues to invest in the longer term where it identifies attractive opportunities for sustainable growth.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, Cap. 386 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Parent Company as at the end of each reporting period and of the profit or loss for that period.
In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- account for income and charges relating to the accounting period on accrual basis;
- value separately the components of asset and liability items; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, Cap. 386. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of The Convenience Shop (Holding) plc for the year ended 31 December 2020 are included in the Annual Report 2020, which is available on the Parent Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Parent Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2020, and of the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the annual report includes a fair review of the development and performance of the business and the position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that the Group and the parent Company face.

Dividends

The COVID-19 pandemic and the uncertainty that it has brought about necessitates that the Board of Directors remains prudent when it comes to the declaration of dividends. Directors want to ensure that the business activity, with the lifting of the restrictions, returns to normal levels in order to return to sustainable profitability. At the same time, efforts will keep being directed at implementing the growth strategy and strengthening the operating capability that the Group has embarked on with a view to create sustainable value to all stakeholders.

During the year, a final dividend of €700,000 was paid out of prior year profits. The Board declared an interim net dividend of €200,000 on 27 August 2020. The Board is still proposing the payment of a final net dividend, albeit less in view of the current circumstances of economic crisis of €124,000, for consideration at the forthcoming Annual General Meeting.

Going concern

As at 31 December 2020, total assets exceeded total liabilities by €2.6 million. The Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the Parent Company have adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements. Reference is made to the outlook as explained earlier on for the financial year ended 31 December 2020 and events occurring after the statement of financial position date.

As required by Listing Rule 5.62, upon due consideration of the Company's profitability and statement of financial position, the Directors confirm the Company's ability to continue operating as a going concern for the foreseeable future.

Auditors

RSM Malta, Certified Public Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Approved by the Board on 26 April 2021 and signed on its behalf by:

Benjamin Muscat	Charles Scerri
Chairman	Non-executive Director

Corporate Governance - Statement of Compliance
for the year ended 31 December 2020

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

The Board of Directors (the "Board" or the "Directors") of The Convenience Shop (Holding) plc (the "Company") acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

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

General
Good corporate governance is the responsibility of the Board as a whole, and has been, and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company's size, nature and operations, and is of the opinion that the adoption of certain mechanisms and structures is proportionate to the scale of operations which the Company has.

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

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

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

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

Principle One: The Company's Board of Directors

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

The Board has throughout the year under review adopted prudent and effective systems which ensure an open dialogue between the Board and senior management.

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

Principle Two: The Company's Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are held by separate individuals and the division of responsibilities are clearly established and agreed by the Board.

The Chairman exercises independent judgement and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company. The Chairman is also responsible for ensuring effective communication with shareholders and ensuring active engagement by all members of the Board for discussion of complex or contentious issues.

The Chief Executive reports regularly to the Board on the business and affairs of the Company and the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

Each subsidiary within the Group has its own management structure and accounting systems and internal controls, and is governed by its own Board, whose members, are appointed by the Company This provides sufficient delegation of powers to achieve effective management. The organisational structure ensures that decision making powers are spread wide enough to allow proper control and reporting systems to be in place and maintained in such a way that no one individual or small group of individuals actually has unfettered powers of decision.

Principle Three: Composition of the Board

The Board is composed of 6 members, with 3 executive and 3 non-executive Directors, with each member offering core skills and experience that are relevant for the successful operation of the Company. The non-executive Directors are independent from the Group. The Board is responsible for the overall long-term strategy and general policies of the Company, of monitoring the Company's systems of control and financial reporting and communicating effectively with the market as and when necessary.

The Board of Directors consists of the following:

- Benjamin Muscat – Chairman / Non-executive Director
- Charles Scerri – Non-executive Director
- Kevin Deguara – Non-executive Director
- Joseph Pace – Director
- Ivan Calleja - Director
- Manuel Piscopo - Director

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment. In terms of the Articles of Association, a Director shall hold office without retirement until death or until they retire or are removed by the Company in accordance with Article 140 of the Companies Act, Cap. 386.

Mr. Benjamin Muscat and Mr.Charles Scerri are considered by the Board to be independent non- executive members of the Board.

None of the independent non-executive Directors:

a) is or has been employed in any capacity with the Company and/or the Group;
b) has or had a significant business relationship with the Company and/or the Group;
c) has received significant additional remuneration from the Company and/or the Group;
d) has close family ties with any of the Company's executive Directors or senior employees;
e) has served on the Board for more than twelve consecutive years; or
f) is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company and/or the Group.

Each non-executive Director has declared in writing to the Board that he undertakes:

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

Principle Four: The Responsibilities of the Board

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

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Board has also established an Audit Committee in terms of rule 4.01.01(d) of the Prospects MTF Rules as follows:

The Audit Committee

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

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

The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board.

Furthermore, the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Audit Committee is composed of 3 members:

- Charles Scerri – Chairman
- Benjamin Muscat – Member
- Ivan Calleja – Member – (replaced by Kevin Deguara on 23 April 2020)
- Kevin Deguara – Member (appointed to replace Ivan Calleja on 23 April 2020)

Mr. Charles Scerri and Mr.Benjamin Muscat are non-executive Directors and qualified accountants, who the Board considers as independent and competent in accounting.

Internal Control and Risk Management

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

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

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

Risk identification, control and reporting

The Board, with the assistance of the management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company and its subsidiaries are involved. These risks are assessed on a continual basis with a view to control and mitigate where deemed necessary. Major risks applicable to their areas of business are reported upon on a monthly basis.

Information and communication

Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board.

Reporting

The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties and reviews by management. On a monthly basis the Board receives a comprehensive analysis of financial and business performance, including reports comparing actual performance with budgets as well as analysis of any variances.

In conclusion, the Board considers that the Company has generally been in compliance with the Principles throughout the year under review as befits a company of this size and nature. Non-compliance with the principles and the reasons thereof have been identified below.

Principle Five: Board Meetings

The Directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated in advance of the meeting. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. The Chairman ensures that all relevant issues on the agenda are supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board meets as often as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. The Board met six times during the financial year under review.

The following Directors attended Board meetings as follows:

Name	Designation	Number of Meetings
Benjamin Muscast	Chairman/Non-executive Director	6 out of 6
Charles Scerri	Non-executive Director	6 out of 6
Kevin Deguara	Non-executive Director	6 out of 6
Joseph Pace	Director	6 out of 6
Ivan Calleja	Director	6 out of 6
Manuel Piscopo	Director	6 out of 6

Principle Six: Information and Professional Development

As part of succession planning and employee retention, the Board and Chief Executive ensure that the Company implements appropriate schemes to recruit, retain and motivate employees and senior management and keep a high morale amongst employees.

The Chief Executive, although responsible for the recruitment and selection of senior management, consults with the Board on the appointment of, and on a succession plan for, senior management.

Training (both internal and external) of management and employees remains a priority. This is coordinated through the Company's Human Resources Department.

The Board has access to the advice and services of the company secretary who is responsible for ensuring that board procedures are complied with, as well as for ensuring that sound information flows between the Board and the Audit Committee.

Principle Seven: Evaluation of the Board's Performance

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

Principle Eight: Remuneration and Nomination Committees

The Board of Directors considers that the size and operation of the Company does not warrant the setting up of a nomination and remuneration committee. The Company will not be incorporating a nomination committee. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the company's Memorandum and Articles of Association. The Company considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

Principles Nine and Ten: Relations with Shareholders and with the Market and with Institutional Shareholders

Pursuant to the Company's statutory obligations in terms of the Companies Act (Cap. 386 of the Laws of Malta), the Annual Report and Financial Statements, the election of Directors and approval of Directors' fees, the appointment of the auditors and the authorisation of the Directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

The Board is responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the rules of Prospects MTF. With respect to the Company's bondholders and the market in general, during the financial year under review, there were eighteen Company announcements issued to the market.

Principle Eleven: Conflicts of Interest

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest.

All of the Directors of the Company, except for Benjamin Muscat and Charles Scerri, have a direct beneficial interest in the share capital of the Company, and as such are susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company. During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards the Company.

If a Director has a continuing material interest that conflicts with the interests of the Company, he is obliged to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning.

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

Principle Twelve: Corporate Social Responsibility

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

The Board is mindful of the environment and its responsibility within the community in which it operates.

Since its origins, the Group chooses to recognise its social and environmental responsibilities by making Corporate Social Responsibility an important tool to mediate and achieve an optimum balance in responding to the different needs of the various stakeholders.

This year the Group has completed progress against its 2020 goals covering environmental stewardship, responsible trade, looking after its workforce and its community donation programme. The Group continued supporting Caritas and the Malta Community Chest Fund Foundation. The Group has a retail outlet in Qormi with all profits being passed on to Puttinu Cares.

In carrying on its business the Group is fully aware and at the forefront to preserving the environment and continuously review its policies aimed at respecting the environment and encouraging social responsibility and accountability.

Non-Compliance with the Code

As at the date hereof, the Board considers the Company to be in compliance with the Code except for the following:

Principle Seven: Evaluation of the Board's Performance

The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance in accordance with the requirements of Code Provision 7.1. The Board believes that the size of the company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. Whilst the requirement under Code Provision 7.1 might be useful in the context of larger companies having a more complex set-up and a larger Board, the size of the company's Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad-hoc committee for this purpose. The Board shall retain this matter under review over the coming year.

Principle Eight: Committees

The Board considers that the size and operation of the Company does not warrant the setting up of nomination and remuneration committee in line with Code Provision 8A. The Board relies on the constant scrutiny of the Board itself, the company's shareholders, the market and the rules by which the company is regulated as a listed entity. In addition, the Board took into consideration the fact that the remuneration of the Board is not performance related. The Board intends to keep under review the utility and possible benefits of having a Remuneration Committee in due course.

Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the company's Memorandum and Articles of Association. The Company considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

Approved by the Board on 26 April 2021 and signed on its behalf by:

Benjamin Muscat
Chairman

Charles Scerri
Non-executive Director

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Independent AUDITORS' REPORT

To the Shareholders of The Convenience Shop (Holding) p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of The Convenience Shop (Holding) p.l.c. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together "the Group"), set out on pages 24 - 62, which comprise the statements of financial position as at 31 December 2020, and the statements of 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 financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

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

The non-audit services that we have provided to the Group and its subsidiaries during the year ended 31 December 2020 are disclosed in Note 6 to the financial statements.

RSM

INDEPENDENT AUDITORS' REPORT - continued

Report on the audit of the financial statements - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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.

Business combinations

As disclosed in Notes 13, during the year ended 31 December 2020, the Group acquired the business operations of MKJ Company Limited which was operating two shops under 'The Convenience Shop' brand. The Group also acquired the remaining 50% shareholding in Aynic & Co Limited.

The Group accounted for the acquisitions in accordance with IFRS 3 Business Combinations. The purchase consideration was based on the book value of the assets and liabilities of the acquired business. The directors have assessed and agreed that this is representative of the fair value.

In responding to the significant judgement involved, our audit procedures included reviewing the relevant acquisition agreements to obtain an understanding of the transaction and to confirm the consideration. We also considered the adequacy of the related disclosures in the notes to the financial statements.

Impairment assessment of intangible assets with indefinite useful lives

As disclosed in Note 13, the Group's goodwill and suppliers' agreements balance and Intellectual property are €5.6 million, €3.1 million and €4 million respectively. The first two intangible assets arose from the PPA exercise performed in the prior year whilst the intellectual property arose from the acquisition of 'The Convenience Shop' trademark which was purchased from Jin Limited during the year under review.

In line with IAS 36, "Impairment of assets", the directors are required to assess whether the intangible assets with indefinite useful lives are potentially impaired.

The impairment assessment is subject to significant directors' judgement and estimation in the following areas;
(1) the selection of an appropriate impairment model to be used, in this case, the discounted cash flows model,
(2) the assessment and determination of the expected cash flows
(3) setting appropriate growth rates; and
(4) selection of the appropriate discount rate.

In light of the significant directors' judgement we consider this to be a key audit matter for our audit.

In responding to the significant judgement involved, our audit procedures included, assessing the appropriateness of the impairment model, assessing the reasonableness of the key assumptions employed in the valuation model, including the discount rate adopted with the help of our internal valuation specialist, and we challenged and evaluated key assumptions related to revenue projection.

INDEPENDENT AUDITORS' REPORT - continued

Report on the audit of the financial statements - continued

Key Audit Matters - continued

Inventory and sale of goods

The business is characterized by fast movement of consumer goods and operates 37 shops around Malta. The inventory of the Group primarily consists of food, goods and other ancillary products that are sold through its retail outlets in the fast-moving consumer goods industry. The revenue and inventory processes are key drivers to the development of the business. We identified the accuracy and existence of the inventory and revenue as an area of higher risk of material misstatement and consequently, a key audit matter.

As at 31 December 2020, the Group's inventories amounted to €2.5 million, while revenue amounted to €32.9 million as disclosed in Notes 18 and 5 to the financial statements. In responding to the risk identified, we obtained an understanding of the revenue cycle, inventory management processes and inventory count procedures. We assessed the design and implementation of the key controls over these processes. We were not able to take a control reliant audit approach on certain assertions due to weaknesses noted in the IT environment and inventory process. Where we noted deficiencies, we extended the scope of our substantive procedures.

Our audit procedures also included, but were not restricted to, observing inventory count procedures at selected shops and performing test counts. We traced our test counts to the inventory system to determine if the system reflects actual count results. Analytical procedure on gross margin was performed by linking the margin against supplier agreements and selling prices, on a sample basis.

Other Information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the financial statements does not cover the other information, including the directors' report.

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 have obtained prior to the date of this auditors' 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.

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

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

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial year on which the financial statements had been prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and the Group, and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

INDEPENDENT AUDITORS' REPORT - continued

Report on the audit of the financial statements - continued

Responsibilities of the Directors and those charged with governance for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and 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 and 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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INDEPENDENT AUDITORS' REPORT - continued

Report on the audit of the financial statements – continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 the Statement of Compliance with the Principles of Good Corporate Governance

The Prospects MTF Rules issued by the Malta Listing Authority requires the directors to prepare and include in their Report a Statement of Compliance providing explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the year with those principles.

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

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

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

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Listing Authority.

INDEPENDENT AUDITORS' REPORT - continued

Report on the audit of the financial statements – continued

Report on Other Legal and Regulatory Requirements - continued

Other matters on which we have to report by exception

We also have responsibilities:

- Under the Companies Act, Cap. 386 to report to you if, in our opinion:
  - Adequate accounting records have been kept, or that returns adequate for our audit have been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- Under the Prospects MTF Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications, as necessary.

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

Appointment

We were first appointed by the directors as auditors of the Company on 29 October 2019.

This copy of the audit report has been signed by

Conrad Borg *(Principal)*
for and on behalf of

RSM Malta
Certified Public Accountants

26 April 2021

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
	Note	**01.01.2020 to 31.12.2020 €**	26.07.2018 to 31.12.2019 €	**01.01.2020 to 31.12.2020 €**	26.07.2018 to 31.12.2019 €
Revenue	5	**32,916,195**	39,566,047	**461,538**	1,076,923
Cost of sales		**(29,455,468)**	(33,529,781)	**-**	-
Gross profit		**3,460,727**	6,036,266	**461,538**	1,076,923
Administrative expenses		**(2,285,443)**	(3,638,208)	**(61,579)**	(46,198)
Operating profit	6	**1,175,284**	2,398,058	**399,959**	1,030,725
Other income	8	**629,860**	327,037	**-**	-
Loss on acquisition of subsidiaries	13	**-**	(346,279)	**-**	-
Share of the loss of associate	16	**-**	(5,600)	**-**	-
Finance cost	9	**(762,193)**	(677,466)	**(250,513)**	(188,233)
Finance income	10	**821**	813	**318,500**	244,329
Profit before tax		**1,043,772**	1,696,563	**467,946**	1,086,821
Tax	11	**(506,205)**	(969,095)	**(185,333)**	(396,557)
Profit for the financial year/period		**537,567**	727,468	**282,613**	690,264
Total comprehensive income for the year/period		**537,567**	727,468	**282,613**	690,264
Total comprehensive income for the year/period is attributable to:					
Non-controlling interest		**2,110**	(46,458)	**-**	-
Owners of the Company		**535,457**	773,926	**282,613**	690,264
Earnings per share		**10.75**	14.55	**5.65**	13.81

STATEMENT OF FINANCIAL POSITION
As at 31 December

		Group		Company	
		2020	2019	**2020**	2019
		€	€	**€**	€
ASSETS	**Note**				
Non-current assets					
Property, plant and equipment	12	**3,767,681**	3,218,579	**-**	-
Intangible assets	13	**13,491,239**	8,973,282	**4,000,000**	-
Right-of-use asset	14	**9,473,531**	7,165,129	**-**	-
Investment in subsidiaries	15	**-**	-	**287,797**	219,809
Investment in associates	16	**-**	-	**1,688**	3,376
Loans receivable	17	**-**	-	**4,460,317**	4,267,318
Deferred tax asset	11	**-**	19,107	**-**	-
		26,732,451	19,376,097	**8,749,802**	4,490,503
Current assets					
Inventories	18	**2,470,290**	1,847,120	**-**	-
Trade and other receivables	19	**3,363,372**	2,804,911	**3,354,451**	794,843
Cash and cash equivalents	25	**1,065,126**	1,819,424	**105,865**	507,029
		6,898,788	6,471,455	**3,460,316**	1,301,872
TOTAL ASSETS		**33,631,239**	25,847,552	**12,210,118**	5,792,375
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	**70,000**	50,000	**70,000**	50,000
Share premium		**2,187,924**	-	**2,187,924**	-
Retained earnings		**365,342**	773,926	**72,877**	690,264
		2,623,266	823,926	**2,330,801**	740,264
Non-controlling interest		**(44,241)**	(123,492)	**-**	-
TOTAL EQUITY		**2,579,025**	700,434	**2,330,801**	740,264
Non-current liabilities					
Interest – bearing loans and borrowings	21	**5,594,699**	5,333,333	**4,744,719**	4,744,206
Lease liability	23	**9,446,443**	7,013,720	**-**	-
Deferred tax liability	11	**30,139**	-	**-**	-
		15,071,281	12,347,053	**4,744,719**	4,744,206
Current liabilities					
Current tax payable	11	**1,433,154**	979,993	**42,179**	19,634
Interest – bearing loans and borrowings	21	**452,490**	4,261,568	**250,000**	250,000
Lease liability	23	**598,083**	442,721	**-**	-
Trade and other payables	24	**13,497,206**	7,115,783	**4,842,419**	38,271
		15,980,933	12,800,065	**5,134,598**	307,905
TOTAL LIABILITIES		**31,052,214**	25,147,118	**9,879,317**	5,052,111
TOTAL EQUITY AND LIABILITIES		**33,631,239**	25,847,552	**12,210,118**	5,792,375

The financial statements on pages 24 to 62 have been authorised for issue by the Board of Directors on 26 April 2021 and were signed on its behalf by:

Benjamin Muscat
Chairman

Charles Scerri
Non-executive Director

STATEMENT OF CHANGES IN EQUITY

THE GROUP	Note	Share capital €	Share premium €	Retained earnings €	Non-Controlling interest €	Total €
Financial period ended 31 December 2019						
Net assets acquired	13	-	-	-	(77,034)	(77,034)
Issuance of share capital		50,000	-	-	-	50,000
Total comprehensive income for the period - *Profit for the financial period*		-	-	773,926	(46,458)	727,468
Balance at 31 December 2019		**50,000**	**-**	**773,926**	**(123,492)**	**700,434**
Financial year ended 31 December 2020						
Balance at 01 January 2020		50,000	-	773,926	(123,492)	700,434
Issuance of share capital		20,000	2,187,924	-	-	2,207,924
Acquisition of non-controlling interest in Aynic & Co. Limited		-	-	(44,041)	77,141	33,100
Total comprehensive income for the year - *Profit for the financial year*		-	-	535,457	2,110	537,567
Dividends paid	22	-	-	(900,000)	-	(900,000)
Balance at 31 December 2020		**70,000**	**2,187,924**	**365,342**	**(44,241)**	**2,579,025**

STATEMENT OF CHANGES IN EQUITY – continued

THE COMPANY	Note	Share capital €	Share premium €	Retained earnings €	Non-Controlling interest €	Total €
Financial period ended 31 December 2019						
Issuance of share capital		50,000	-	-	-	50,000
Total comprehensive income for the period - *Profit for the financial period*		-	-	690,264	-	690,264
Balance at 31 December 2019		**50,000**	**-**	**690,264**	**-**	**740,264**
Financial year ended 31 December 2020						
Balance at 01 January 2020		50,000	-	690,264	-	740,264
Issuance of share capital		20,000	2,187,924	-	-	2,207,924
Total comprehensive income for the year - *Profit for the financial year*		-	-	282,613	-	282,613
Dividends paid	22	-	-	(900,000)	-	(900,000)
Balance at 31 December 2020		**70,000**	**2,187,924**	**72,877**	**-**	**2,330,801**

STATEMENT OF CASH FLOWS

	Note	Group		Company	
		01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019 €	**01.01.2020 to 31.12.2020**	26.07.18 to 31.12.19 €
Cash flows from operating activities					
Receipts from customers		**31,249,361**	34,914,016	-	-
Payments to suppliers and employees		**(28,268,774)**	(28,347,533)	**766,364**	(1,179,693)
Other revenue		**652,960**	327,037	**(1,964,903)**	1,076,923
Income tax paid		**(3,798)**	-	**(1,250)**	-
Net cash flows from/(used in) operating activities		**3,629,749**	6,893,520	**(1,199,789)**	(102,770)
Cash flows from investing activities					
Acquisition of investments in subsidiaries		-	(346,279)	**(66,300)**	(219,809)
Acquisition of investments in associates		-	(5,600)	-	(3,376)
Acquisition of property, plant and equipment		**(901,517)**	(4,131,988)	-	-
Acquisition of intangible assets		**(280,488)**	(397,950)	-	-
Payments to acquire business		-	(8,743,926)	-	-
Proceeds from disposal of PPE		-	88,473	-	-
Net cash flows used in investing activities		**(1,182,005)**	(13,537,270)	**(66,300)**	(223,185)
Cash flows from financing activities:					
Proceeds from issuance of share capital		**2,207,924**	50,000	**2,207,924**	50,000
(Payments)/advances from ultimate beneficial owner		**(3,586,443)**	3,886,443	-	-
Proceeds from interest-bearing		**338,217**	714,252	-	-
Interest on borrowings		**(36,245)**	(25,924)	-	-
Interest on bond		**(250,000)**	-	**(250,000)**	
Proceeds from bond issuance		-	4,805,973		4,805,973
Loan issued to subsidiary		-	-	**(192,999)**	(4,022,989)
Payment of lease liability		**(975,495)**	(967,570)		-
Dividends paid		**(900,000)**	-	**(900,000)**	-
Net cash flows (used in)/from financing activities		**(3,202,042)**	8,463,174	**864,925**	832,984
Net cash (decrease)/increase in cash and cash equivalents		**(754,298)**	1,819,424	**(401,164)**	507,029
Cash and cash equivalents at beginning of year/period		**1,819,424**	-	**507,029**	-
Cash and cash equivalents at end of year/period	25	**1,065,126**	1,819,424	**105,865**	507,029

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Convenience Shop (Holding) plc ("the Company") is a limited liability company incorporated in Malta with registration number of C 87554 and registered address at Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta.

The principal activity of the Company is to act as a holding company. The Company, together with its subsidiaries ("the Group") is engaged to operate in the fast-moving consumer goods industry and is engaged in the retailing of food, goods and other ancillary products through its shops located across Malta.

The ownership of the Company's share capital and voting rights is such that no particular individual or identifiable group of individuals may be deemed to exercise ultimate control over the Company.

The Company and the Group were incorporated on 26 July 2018. Accordingly, the comparative figures cover the period from the date of incorporation to 31 December 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement and statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Companies Act (Cap. 386) enacted in Malta.

The financial statements have been prepared under the historical cost basis.

The accounting policies set out below have been applied consistently throughout the period.

Functional and presentation currency

The financial statements are presented in Euro (€) which is the Company's and the Group's functional and presentation currency.

New or revised standards, interpretations and amendments adopted

The Company adopted several new or revised standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and endorsed by the EU. The adoption of these new or revised standards, interpretations and amendments did not have a material impact on these financial statements.

New or revised standards, interpretations and amendments issued but not yet effective

Several new or revised standards, interpretations and amendments were in issue and endorsed by the EU but are not yet effective for the current financial period. The Company has not early adopted the new or amended standards in preparing these financial statements. The directors anticipate that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all the subsidiaries of The Convenience Shop (Holding) plc and the results of all the subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

The results and equity of non-controlling interest of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

When the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at point of sale.

Rendering of services

Revenue from a contract to provide services is recognised at a point in time on completion of the service.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Tax

The tax charge/(credit) in profit or loss normally comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted at the end of the reporting date.

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at the end of the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. The tax charge/(credit) in the profit or loss for the year/period normally comprises current and deferred tax.

Property, plant and equipment

An item of property, plant and equipment are initially measured at cost. Cost includes the purchase prices and other expenditures directly attributable to bringing the assets to the location and condition for its intended use. Subsequent expenditure relating to the assets is added to the carrying values of the assets when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standards of performance, will flow back to the Company and the Group. All other subsequent expenditure is recognised in profit or loss.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

	%
Improvements to premises	10
Plant and machinery	10
Office equipment	10 - 25
Motor Vehicles	20

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The effects of any revisions are recognised in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the cost and related accumulated depreciation and impairment losses, if any, are derecognised and the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at fair value at the date of acquisition. Intangible assets acquired separately are initially measured at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill and suppliers' agreements

Goodwill and suppliers' agreements arise on the acquisition of a business. These intangible assets are not amortised. Instead, these are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses are taken to profit or loss and are not subsequently reversed.

Key money

The Group's other intangible asset pertains to key money. This represents expenditure associated with acquiring existing operating lease agreements for shops where there is an active market, or the shop is ready for its intended use.

The amortisation of key money is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life of 2-14 years.

Intellectual Property

The intellectual property of the Company pertains to a trademark. This intangible asset is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. The asset is carried at cost less impairment losses.

Investment in subsidiaries

Subsidiaries are all those entities over which the Company has control, i.e., when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Investment in subsidiaries are initially recognised at cost, being the fair value of the consideration given, including acquisition costs and are subsequently carried at cost less accumulated impairment losses, if any. Dividend income is recognised when the Company's right to receive payment is established.

Investment in associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in associates - continued

Investments in associates are initially recognised at cost, including transaction costs. Subsequently, investments in associates are accounted for using the equity method, that is, the carrying amount is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has obligations or made payments on behalf of the associate.

The Company determines whether there is objective evidence that the investment in associate undertaking is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate undertaking and its carrying value. The Company recognises the loss within the statement of comprehensive income.

Gains and losses arising from partial disposals or dilutions in investments in associates are recognised in profit or loss.

Investments in associates are derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Company and the Group's non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

For the purpose of impairment assessment, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis, or on a Company basis, as a cash-generating unit (CGU), when the individual asset does not generate cash inflows that are largely independent of those from other assets in the Group to which the asset belongs. To determine the value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

A reversal of impairment loss for an asset is recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are carried at the lower of cost and net realisable value (NRV). Cost is calculated using the first in first out (FIFO) method.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company and the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expired.

Financial assets

Financial assets are classified at initial recognition in accordance with how they are subsequently measured, as follows:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

The Company and the Group's financial assets are mainly financial assets at amortised cost.

Financial assets at amortised cost

Financial assets at amortised costs are financial assets that are held within the business model whose objective is to collect contractual cash flows ("hold to collect") and the contractual terms give rise to cash flows that are solely payments of principal and interest.

On initial recognition, financial assets at amortised cost are recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Discounting is omitted where the effect of discounting is immaterial. Trade receivables without a significant financing component are measured at the transaction price as a practical expedient.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gain or losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets under this classification include loans receivable, trade and other receivables and cash and cash equivalents.

The Group's financial assets under this classification include loans receivable, trade and other receivables and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments – continued

Impairment of financial assets

The Company and the Group recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

Financial liabilities

Financial liabilities are classified at initial recognition in accordance with how they are subsequently measured as follows:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss.

The Company and the Group's financial liabilities are mainly financial liabilities at amortised cost.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value, net of transaction cost and are subsequently measured at amortised cost using the effective interest method. All interest-related charges under the interest amortisation process are recognised in profit or loss.

On derecognition, the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

The Company's financial liabilities under this classification include bonds payable, and trade and other payables.

The Group's financial liabilities under this classification include bonds payable, interest-bearing loans and borrowings, lease liability and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Equity

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Right-of-use assets

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Recognition

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term and discounted at the Group's incremental borrowing rate of five percent (5%). The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments on short-term leases (i.e. leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interests in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all information possible to determine the fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

NOTES TO THE FINANCIAL STATEMENTS – continued

4. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company's directors, except for the matters disclosed below, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their disclosure in terms of the requirements of IAS 1 *Presentation of Financial Statements*, except for the matters described below.

Business combinations

As discussed in Note 3, the Group accounted for acquisitions in accordance with *IFRS 3 Business Combinations.* The purchase consideration was based on the book value of the assets and liabilities of the acquired business. The directors have assessed and agreed that this is representative of the fair value, hence no adjustment was deemed necessary.

Impairment assessment of intangible assets with indefinite useful lives

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and suppliers' agreements have suffered any impairment, in accordance with the accounting policy stated in Note 3.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, the directors have assessed that there is neither any significant impact upon the financial statements nor any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTES TO THE FINANCIAL STATEMENTS – continued

5. REVENUE

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Dividend income	**-**	-	**461,538**	1,076,923
Sale of goods	**30,534,995**	34,999,084	**-**	-
Franchise income	**812,865**	1,066,156	**-**	-
Management fee income	**232,207**	811,258	**-**	-
Recharge income	**1,030,252**	634,593	**-**	-
Rebate income	**103,441**	1,631,813	**-**	-
Commission income	**202,435**	423,143	**-**	-
	32,916,195	39,566,047	**461,538**	1,076,923

6. OPERATING PROFIT

The operating profit is stated after charging:

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Staff costs (Note 7)	**3,750,952**	4,213,555		-
Directors' remuneration	**252,317**	282,374	**22,871**	22,000
Auditors' remuneration	**27,000**	26,300	**8,000**	8,000
Tax compliance services	**6,136**	3,400	**600**	600
Depreciation of property, plant and equipment (Note 12)	**554,996**	645,878	**-**	-
Depreciation of right of use asset (Note 14)	**800,249**	796,386	**-**	-
Amortisation of intangible assets (Note 13)	**49,271**	77,013	**-**	-

7. STAFF COSTS

Staff costs incurred during the year/period were as follows:

	Group	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019
	€	€
Salaries and wages	3,539,102	3,950,056
Social security costs	205,362	255,211
Maternity fund contribution	6,488	8,288
	3,750,952	4,213,555

The average number of persons employed by the Group during the year/period was 198 (2019: 224 employees).

NOTES TO THE FINANCIAL STATEMENTS – continued

8. OTHER INCOME

	Group	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019
	€	€
Commission income	**91,349**	86,573
Rental income	**231,775**	101,000
Recharges	**-**	260
Government grants	**10,915**	-
Other income	**295,821**	139,204
	629,860	327,037

9. FINANCE COSTS

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Interest expense on bonds payable (Note 21)	**250,513**	188,233	**250,513**	188,233
Interest expense on bank loan (Note 21)	**36,245**	26,737	**-**	-
Interest expense on lease liability (Note 14)	**475,435**	462,496	**-**	-
	762,193	677,466	**250,513**	188,233

10. FINANCE INCOME

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Interest income from bank	**821**	813	**-**	-
Interest income from loans receivable (Note 17)	**-**	-	**318,500**	244,329
	821	813	**318,500**	244,329

NOTES TO THE FINANCIAL STATEMENTS – continued

11. TAX

The tax charged to profit or loss comprised of the following:

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Current tax charge	**456,969**	988,202	**185,333**	396,557
Deferred tax credit	**49,246**	(19,107)	**-**	-
	506,205	969,095	**185,333**	396,557

The tax on the Company's and the Group's profit differs from the theoretical tax charge that would arise using the applicable tax rate in Malta of 35% as follows:

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Profit before tax	**1,043,772**	1,696,563	**467,946**	1,086,821
Theoretical tax credit at 35%	**365,320**	593,797	**163,781**	380,387
Disallowed formation expenses	**-**	16,169	**-**	16,170
Non-deductible expenses	**183,366**	325,924	**21,553**	-
Income at different tax rate	**(64)**	(63)	**-**	-
Difference between tax base and carrying amounts of property, plant and equipment	**(3,755)**	4,909	**-**	-
Absorbed tax losses	**(960)**	(6,769)	**-**	-
Absorbed capital allowances	**(61,708)**	(11,530)	**-**	-
Unabsorbed capital allowances	**22,083**	-	**-**	-
Unutilised tax losses	**1,923**	46,658	**-**	-
	506,205	969,095	**185,333**	396,557

As at 31 December 2020, the Group had a potential deferred tax asset of €166,220 (2019: €202,593) emanating from unabsorbed capital allowances, unutilised tax losses and differences in the carrying amount and tax base of fixed assets. This amount has not been recognised in the statement of financial position since the directors do not consider it prudent to recognise such asset.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Improvements to premises €	Plant and machinery €	Office equipment €	Motor Vehicles €	Total €
Cost					
Assets acquired on business combination	1,599,582	955,447	225,078	40,258	2,820,365
Additions	738,292	399,379	160,952	13,000	1,311,623
Disposals	(47,975)	(26,883)	(13,616)	-	(88,473)
Balance at 31 December 2019	**2,289,899**	**1,327,943**	**372,414**	**53,258**	**4,043,514**
Accumulated depreciation					
Assets acquired on business combination	(25,508)	(131,728)	(8,850)	(19,203)	(185,589)
Release on disposals	3,764	1,762	1,006	-	6,532
Depreciation	(332,578)	(182,854)	(121,530)	(8,916)	(645,878)
Balance at 31 December 2019	**(354,622)**	**(312,820)**	**(129,374)**	**(28,119)**	**(824,935)**
Carrying amount					
At 31 December 2019	**1,935,277**	**1,015,123**	**243,040**	**25,139**	**3,218,579**

NOTES TO THE FINANCIAL STATEMENTS - continued

12. PROPERTY, PLANT AND EQUIPMENT - continued

THE GROUP	Improvements to premises €	Plant and machinery €	Office equipment €	Motor Vehicles €	Total €
Cost					
As at 01 January 2020	2,289,899	1,327,943	372,414	53,258	4,043,514
Assets acquired on business combination	196,756	24,742	21,255	-	242,753
Additions	459,292	232,552	195,159	14,513	901,517
Disposals	-	-	-	-	-
Balance at 31 December 2020	**2,945,947**	**1,585,237**	**588,828**	**67,771**	**5,187,784**
Accumulated depreciation					
As at 01 January 2020	(354,622)	(312,820)	(129,374)	(28,119)	(824,935)
Assets acquired on business combination	(27,993)	(4,021)	(8,157)	-	(40,171)
Release on disposals	-	-	-	-	-
Depreciation	(291,251)	(151,649)	(102,955)	(9,142)	(554,996)
Balance at 31 December 2020	**(673,867)**	**(468,489)**	**(240,486)**	**(37,261)**	**(1,420,102)**
Carrying amount					
At 31 December 2020	**2,272,081**	**1,116,748**	**348,343**	**30,511**	**3,767,682**

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INTANGIBLE ASSETS

THE GROUP	Goodwill €	Suppliers agreements €	Key money €	Total €
Cost				
Assets acquired on business combination	5,567,244	3,099,647	280,334	8,947,225
Additions	-	-	117,616	117,616
Balance at 31 December 2019	**5,567,244**	**3,099,647**	**397,950**	**9,064,841**
Accumulated amortisation				
Assets acquired on business combination	-	-	(14,546)	(14,546)
Amortisation	-	-	(77,013)	(77,013)
Balance at 31 December 2019	**-**	**-**	**(91,559)**	**(91,559)**
Carrying amount At 31 December 2019	**5,567,244**	**3,099,647**	**306,391**	**8,973,282**

Business combinations

On 1 September 2018, the Company acquired the equity interests of Daily Retail Challenges Limited ("DRC") (80%), Aynic & Co. Limited (50%), Seafront Express Limited (50%), GBake Manufacturing Limited (100%) and GBake Retail Limited (100%). The cost of acquisition exceeded the fair value of the subsidiaries and associates acquired resulting in a loss of €346,279 and is presented in the profit or loss.

As part of the same transaction and overall restructuring, The Convenience Shop Limited and The Convenience Shop (Management) Limited, also acquired the business operations of companies engaged in the operation of various retail outlets within the sector of retail selling of grocery and general consumer and household items under the brand "The Convenience Shop". This is pursuant to the Company's acquisition and management of the "The Convenience Shop" retail outlets. The total consideration paid for these acquisitions amounted to €11,813,974.

The book value of the assets and liabilities acquired was deemed by the directors to be representative of the fair value. Hence, there were no fair value adjustments. The non-controlling interest as at acquisition date amounts to €77,035 which is deemed to be representative of its fair value.

Suppliers' agreements were identified by the directors as intangible assets acquired via business combination. The suppliers' agreements were valued as a group of assets in view that the nature of the suppliers' chain renders economies of scale fundamental to the business model. The value of these assets has been estimated based on directly attributable cash flows.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INTANGIBLE ASSETS – continued

THE GROUP	Goodwill €	Suppliers agreements €	Intellectual property €	Key money €	Total €
Cost					
As at 01 January 2020	5,567,244	3,099,647	-	397,950	9,064,841
Assets acquired on business combination	113,408	-		200,000	313,408
Additions	-	-	4,000,000	280,487	4,280,487
Balance at 31 December 2020	**5,680,652**	**3,099,647**	**4,000,000**	**878,437**	**13,658,736**
Accumulated amortisation					
As at 01 January 2020	-	-	-	(91,559)	(91,559)
Assets acquired on business combination	-	-	-	(26,667)	(26,667)
Amortisation			-	(49,271)	(49,271)
Balance at 31 December 2020	-	-	-	**(167,497)**	**(167,497)**
Carrying amount At 31 December 2020	**5,680,652**	**3,099,647**	**4,000,000**	**649,553**	**13,491,239**

On 31 December 2020, the Group acquired the business operations of another company engaged in the operation of two retail outlets within the fast-moving consumer goods sector under the brand "The Convenience Shop".

On 29 December 2020, the Company entered into an agreement with JIN Limited for the transfer of *The Convenience Shop* trademark held by the latter under its name for a consideration of €4,000,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INTANGIBLE ASSETS – continued

Details of the acquisition are as follows:

	Fair value 2020 €	Fair value 2019 €
Cash	9,800	61,200
Trade and other receivables	40,969	326,495
Inventories	146,442	1,142,904
Loans receivable	-	93,909
Intangible assets	173,333	200,334
Property, plant and equipment	202,582	1,821,193
Trade and other payables	(61,804)	(289,992)
Loans payable	-	(208,960)
Goodwill	113,408	-
Right of use asset	656,233	-
Lease liabilities	(604,525)	-
Net assets acquired	676,438	3,147,083
Suppliers' agreements	-	3,099,647
Goodwill	-	5,567,244
Purchase consideration	676,438	11,813,974

THE COMPANY	Intellectual property €
Cost	
As at 01 January 2020	-
Additions	4,000,000
Balance at 31 December 2020	**4,000,000**
Accumulated amortisation	
As at 01 January 2020	-
Amortisation	-
Balance at 31 December 2020	-
Carrying amount At 31 December 2020	**4,000,000**

On 29 December 2020, the Company entered into an agreement with JIN Limited for the transfer of *The Convenience Shop* trademark held by the latter under its name for a consideration of €4,000,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

14. RIGHT OF USE ASSETS

The Group leases several properties which it operates as retail outlets. The terms of the leases range from 2 to 18 years commencing on 1 September 2019. Lease payments are subject to escalations.

The Group also has leases which it uses as a warehouse and an office space. The term of the lease is 8 years and 11 months commencing on 1 September 2018. Lease payments are subject to escalation of 3% every four years starting on 1 May 2019.

During the period, the Group also entered into a lease agreement for the use of a site measuring 1,400 square metres through temporary emphyteusis. The lease has a term of 65 years and lease payments are subject to escalation of 5% every 5 years.

THE GROUP	Total €
Cost	
Initial application of IFRS 16	7,961,515
Additions	-
Balance at 31 December 2019	**7,961,515**
Accumulated depreciation	
As at 01 January 2019	-
Depreciation	(796,386)
Balance at 31 December 2020	**(796,386)**
Carrying amount	
At 31 December 2019	**7,165,129**
Cost	
As at 01 January 2020	7,961,515
Assets acquired on business combination	656,233
Additions	2,632,415
Release of terminated lease	(200,503)
Balance at 31 December 2020	**11,049,660**
Accumulated depreciation	
As at 01 January 2020	(796,386)
Depreciation	(800,249)
Release of terminated lease	20,506
Balance at 31 December 2020	**(1,576,129)**
Carrying amount	
At 31 December 2020	**9,473,531**

NOTES TO THE FINANCIAL STATEMENTS – continued

15. INVESTMENT IN SUBSIDIARIES

		Company	
	2020	**2020**	2019
	%	**€**	€
	shareholding		
At cost:			
The Convenience Shop Limited (Note i)	**100**	**100,000**	100,000
The Convenience Shop for Puttinu Cares Limited (Note ii)	**99**	**1,199**	1,199
The Convenience Shop Management Limited (Note iii)	**100**	**1,200**	1,200
Gbake Retail Limited (Note iv)	**100**	**1,973**	1,973
Gbake Manufacturing Limited (Note v)	**100**	**114,477**	114,477
Daily Retail Challenges (Note vi)	**80**	**960**	960
Aynic & Co Limited (Note vii)	**100**	**67,988**	-
		287,797	219,809

During the year, the Company held the following investments:

i. 1,200 ordinary shares with a nominal value of €1 each for a total consideration of €1,200. During the financial period ended 31 December 2019, as part of the restructuring plan, the Company loaned the subsidiary the amount of €98,800. During the same period, the same amount was capitalised as a capital contribution.

ii. 1,199 ordinary shares with a nominal value of €1 each for a total consideration of €1,199.

iii. 1,200 ordinary shares with a nominal value of €1 each for a total consideration of €1,200.

iv. 700 ordinary shares with a nominal value of €1 each for a total consideration of €1,969. During the financial period ended 31 December 2019, the Company acquired an additional 700 ordinary shares in the subsidiary for a total consideration of €4.

v. 40,700 ordinary shares with a nominal value of €1 each for a total consideration of €114,473. During the financial period ended 31 December 2019, the Company acquired an additional 40,700 ordinary shares in the subsidiary for a total consideration of €4.

vi. 960 ordinary shares with a nominal value of €1 each for a total consideration of €960.

vii. During the period ended 31 December 2019, the company held 600 ordinary A shares with a nominal value of €1 each for a total consideration of €1,688 by virtue of a share transfer agreement. These shares were classified as investment in associates (Note 16). During the financial year ended 31 December 2020 the Company increased the number of shares held by 49,400 ordinary A shares with a nominal value of €1 for a total consideration of €49,400, through the capitalization of borrowings. During the same year, the Company purchased the 50,000 shares, held by the other shareholder, with a nominal value of €1 for a total consideration of €16,900 by virtue of a share transfer agreement.

NOTES TO THE FINANCIAL STATEMENTS – continued

15. INVESTMENT IN SUBSIDIARIES – continued

The following summarizes the financial position and performance of the Company's subsidiaries as at and for the period/year ended 31 December 2019 and 31 December 2020:

31 December 2020

Subsidiaries	Registered Office	Capital and reserves	Profit/(loss) for the year
The Convenience Shop Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	208,717	(24,430)
The Convenience Shop for Puttinu Cares Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(21,150)	5,038
The Convenience Shop (Management) Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	883,892	625,327
Gbake Retail Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(60,945)	3,015
Gbake Manufacturing Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	26,803	29,364
Daily Retail Challenges Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(333,493)	(824)
Aynic & Co. Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(158,422)	(76,442)

31 December 2019

Subsidiaries	Registered Office	Capital and reserves	Profit/(loss) for the period
The Convenience Shop Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	283,147	533,147
The Convenience Shop for Puttinu Cares Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(26,188)	(27,388)
The Convenience Shop (Management) Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	508,565	867,365
Gbake Retail Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(63,960)	19,743
Gbake Manufacturing Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(2,561)	(18,633)
Daily Retail Challenges Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(332,669)	(116,834)

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INVESTMENT IN ASSOCIATES

	Group			Company		
	2020 % shareholding	2020 €	2019 €	2020 % shareholding	2020 €	2019 €
At cost:						
Seafront Express Limited (Note i)				50	1,688	1,688
Aynic & Co. Limited (Note ii)				50	-	1,688
At equity method:						
GNJ Company Limited (Note iii)	50	5,000	5,000		-	-
GNG Manufacturing Ltd (Note iv)	50	600	600		-	-
		5,600	5,600		1,688	3,376

During the period ended 31 December 2019, the Company acquired the following:

i. 600 ordinary A shares with a nominal value of €1 each for a total consideration of €1,688 by virtue of a share transfer agreement. The Company exercises control over the associate.

ii. 600 ordinary A shares with a nominal value of €1 each for a total consideration of €1,688 by virtue of a share transfer agreement. During the financial year ended 31 December 2020, Aynic & Co. Limited became fully owned by the Company (Note 15).

The Group through the acquisition of Gbake Manufacturing Limited indirectly owns the following:

iii. 5,000 ordinary shares with a nominal value of €1 each

iv. 600 ordinary shares with a nominal value of €1 each

In both cases, the directors believe that the Group has significant influence but no control over the investees. Consequently, these are accounted for under the equity method as follows:

	Group	
	2020 €	2019 €
Additions on business combination	-	5,600
Share of losses for the period	-	(5,600)
	-	-

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INVESTMENT IN ASSOCIATES – continued

The following summarizes the financial position and performance of the Company's associates as at and for the period/year ended 31 December 2019 and 31 December 2020:

31 December 2020

Associates	Registered Office	Capital and reserves	Profit/(loss) for the year
Seafront Express Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(63,426)	(5,493)
GNJ Company Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(336,455)	(88,618)
GNG Manufacturing Ltd (Note i)	37, Triq Dun Mikiel Xerri, Attard, Malta	60,958	-

31 December 2019

Associates	Registered Office	Capital and reserves	Profit/(loss) for the period
Seafront Express Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(57,933)	(1,626)
Aynic & Co. Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(180,780)	(136,141)
GNJ Company Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(247,837)	(257,837)
GNG Manufacturing Ltd (Note i)	37, Triq Dun Mikiel Xerri, Attard, Malta	68,038	121,211

i. The capital and reserves of GNG Manufacturing Ltd are based on the statement of affairs as at 01 November 2018.

NOTES TO THE FINANCIAL STATEMENTS – continued

17. LOANS RECEIVABLE

	Company	
	2020	2019
	€	€
Loan to subsidiary	**4,460,317**	4,267,318

On 27 March 2019, the Company entered into a loan facility agreement with The Convenience Shop Limited through which the balance of €4,900,000 was made available to the latter. An interest of 6.5% per annum shall accrue on a daily basis on the entire amount of the Loan Facility and shall be repayable annually in arrears. The utilised amounts shall be repayable on the expiration of the loan facility period i.e. the maturity date of the issued bond or the early redemption date if this option is exercised by the lender. The interest income during the period amounted to €318,500 (2019: €244,329).

18. INVENTORIES

	Group	
	2020	2019
	€	€
Fast moving consumer goods	**2,470,290**	1,847,120

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Trade receivables	**816,299**	423,804		-
Amounts owed by subsidiaries	**3,872**	-	**3,249,744**	68,744
Prepayments	**73,826**	62,983	**925**	-
VAT receivable	**210,289**	116,998	**3,782**	26,099
Other receivables	**48,111**	820,398	**-**	-
Term deposit	**108,362**	107,589	**-**	-
Deposits	**160,687**	2,432	**-**	-
Rebates receivable	**1,165,137**	806,358	**-**	-
Dividends receivable	**-**	-	**100,000**	700,000
Loans to third parties	**-**	13,353	**-**	-
Amounts owed by related parties	**482,063**	148,578	**-**	-
Amounts owed by an associate	**77,418**	77,418	**-**	-
Accrued income	**217,310**	225,000	**-**	-
	3,363,372	2,804,911	**3,354,451**	794,843

The amounts owed by subsidiaries, related parties and an associate are unsecured, interest-free and have no fixed repayment date.

NOTES TO THE FINANCIAL STATEMENTS - continued

20. SHARE CAPITAL

	Group and Company	
	2020	2019
	€	€
Authorised		
70,000 (2019: 50,000) ordinary shares of €1 each	70,000	50,000
Issued and fully paid up		
70,000 (2019: 50,000) ordinary shares of €1 each	70,000	50,000

21. INTEREST- BEARING LOANS AND BORROWINGS

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Non-current				
Bank loan (Note i)	**849,980**	589,127	-	-
Bonds payable (Note iii)	**4,744,719**	4,744,206	**4,744,719**	4,744,206
	5,594,699	5,333,333	**4,744,719**	4,744,206

	Group		Company	
	2020	2019	**2020**	2019
Current				
Bank loan (Note i)	**202,490**	125,125	-	-
Loans payable to ultimate shareholders (Note ii)	-	3,886,443	-	-
Bonds payable (Note iii)	**250,000**	250,000	**250,000**	250,000
	452,490	4,261,568	**250,000**	250,000

(i) The Group has the following bank loans:

The Convenience Shop Limited has the following banking facilities:

(i) €62,044 which is subject to 4.25% interest and is to be repaid by no later than 30 April 2024;
(ii) €189,343 which is subject to 5.40% interest and is to be repaid by no later than 31 May 2031;
(iii) €750,000 which is subject to 3.5% and is to be repaid over a period of 10 years. As at 31 December 2020 €274,740 has been utilised; and
(iv) €721 which is subject to 5.40% interest and is to be repaid by no later 30 January 2021.

The above facilities are secured by a general hypothec over the Company's assets.

Aynic & Co. Limited has a banking facility of €500,000 which is secured by a general hypothec over the Company's assets and by general and special hypothecs over assets of a shareholder and third parties. The rate of interest during the period was 3.50% and is to be repaid by no later than 19 July 2026.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. INTEREST BEARING LOANS AND BORROWINGS – continued

Gbake Manufacturing Limited has a banking facility of €250,000 which is secured by a general hypothec of €250,000. The rate of interest during the period was 4.27% and is to be repaid by no later than 21 March 2024.

Gbake Retail Limited has a banking facility of €100,000 which is secured by a pledge on bank balances amounting to €40,000. The rate of interest during the period was 4.73% and is to be repaid by no later than 21 March 2024.

(ii) During the year ended 31 December 2020 the amount of €2,207,924 was capitalised into 20,000 ordinary shares of the Company having a nominal value of €1 and at a share premium. The remaining amount was settled during the year, except for €300,000 that are still owed to the ultimate shareholders (Note 24).

(iii) The Convenience Shop (Holding) plc issued bonds for an aggregate amount of €5,000,000 during the period ended 31 December 2019. The Bonds are subject to interest at the rate of 5% per annum and are repayable in full upon maturity on 8th March 2029 unless previously re-purchased and cancelled, or the Company exercises the option to redeem all or any part of the Bonds at their nominal value prior to the Redemption Date, between 8th March 2026 and 8th March 2029.

22. DIVIDENDS

	Group & Company	
	2020	2019
	€	€
Gross of income tax		
Ordinary shares dividend	1,384,615	-
Net of income tax		
Ordinary shares dividend	900,000	-
Net dividend per share	12.85	

23. LEASE LIABILITIES

	Group	
	2020	2019
	€	€
Gross lease payments		
Due after more than five years	9,374,049	7,088,602
Due after one year but within five years	4,490,611	3,384,973
Due within one year	1,090,411	812,651
	14,955,071	11,286,226
Discounts	(4,910,545)	(3,829,785)
	10,044,526	7,456,441

NOTES TO THE FINANCIAL STATEMENTS - continued

23. LEASE LIABILITIES – continued

The carrying amount of lease liability recognized during the year is as follows:

	Group	
	2020	2019
	€	€
Opening balance	**7,456,441**	
Additions	**3,288,649**	7,961,514
Release of terminated lease	**(191,504)**	-
Interest	**475,435**	462,496
Lease payments	**(984,495)**	(967,569)
	10,044,526	7,456,441

The following are the amounts recognized in profit or loss relating to leases:

	Group	
	2020	2019
	€	€
Interest expense	**475,435**	462,496
Depreciation expense	**800,249**	796,386
	1,275,684	1,258,882

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Trade payables – third parties	**5,573,581**	3,957,855	**10,373**	-
Trade payables – related parties	**435,366**	321,054	**-**	-
Amounts owed to related parties (i)	**5,623,019**	1,041,815	**4,497,565**	-
Amounts owed to shareholders (i)	**300,000**	-	**300,000**	-
VAT payables	**295,312**	25,743	**-**	-
Accruals	**663,658**	944,969	**13,981**	38,271
Other payables	**606,270**	824,347	**20,500**	-
	13,497,206	7,115,783	**4,842,419**	38,271

The amounts owed to related parties and ultimate beneficial owners are unsecured, interest-free and have no fixed date of repayment.

NOTES TO THE FINANCIAL STATEMENTS - continued

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and in banks, net of overdrawn bank balances. Cash and cash equivalents included in the statement of cash flow reconcile to the amounts shown in the statement of financial position as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash in hand	**157,853**	257,368	**-**	-
Cash at bank	**907,273**	1,786,246	**105,865**	507,029
Overdrawn bank balances	**-**	(224,190)	**-**	-
	1,065,126	1,819,424	**105,865**	507,029

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group

	Balance at 26.07.2018	**Proceeds**	**Repayments**	**Non-cash adjustment**	**Capitalisation of bond issuance costs**	**Balance at 31.12.2019**
	€	**€**	**€**		**€**	**€**
Issuance of share capital	-	50,000	-	-	-	50,000
Proceeds from cash advances from Ultimate Beneficiary owner	-	3,886,443	-	-	-	3,886,443
Proceeds from interest-bearing loan	-	714,252	-	-	-	714,252
Bonds payable	-	5,000,000	-	-	(194,027)	4,805,973
Payment of lease liability	7,961,515	-	(967,570)	462,496	-	7,456,441
	7,961,515	9,650,695	(967,570)	462,496	(194,027)	16,913,109

NOTES TO THE FINANCIAL STATEMENTS – continued

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

The Group

	Balance at 01.01.2020	Proceeds	Repayments	Non-cash adjustment	Capitalisation of bond issuance costs	Balance at 31.12.2020
	€	€	€		€	€
Issuance of share capital	50,000	2,207,924	-	-	-	2,257,924
Proceeds from cash advances from Ultimate Beneficiary owner	3,886,443	-	(3,586,443)	-	-	300,000
Proceeds from interest-bearing loan	714,252	477,238	(139,021)	-	-	1,052,469
Bonds payable	4,805,973		(250,000)	250,513	-	4,994,719
Payment of lease liability	7,456,441	-	(975,495)	1,612,590	-	10,044,525
	16,913,109	2,685,162	(4,950,958)	1,863,103	-	18,649,638

The Company

	Balance at 26.07.2018	Proceeds	Advances	Non-cash adjustment	Capitalisation of bond issuance costs	Balance at 31.12.2019
	€	€	€	€	€	€
Issuance of share capital	-	50,000	-		-	50,000
Loan issued to subsidiary	-	-	(4,511,647)	244,329	-	(4,267,318)
Bonds payable	-	5,000,000	-		(194,027)	4,805,973
		5,050,000	(4,511,647)	244,329	(194,027)	588,655

NOTES TO THE FINANCIAL STATEMENTS – continued

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

The Company

	Balance at 01.01.2020	Proceeds	Advances	Non-cash adjustment	Capitalisation of bond issuance costs	Balance at 31.12.2020
	€	€	€	€	€	€
Issuance of share capital	50,000	2,207,924	-	-	-	2,257,924
Loan issued to subsidiary	(4.267.318)	-	(192,999)	-	-	(4,460,317)
Bonds payable	4,805,973		(250,000)	250,513	-	4,994,719
	588,655	2,207,924	(442,999)	250,513	-	2,603,580

27. RELATED PARTY TRANSACTIONS

The Company has related party relationships with companies over which there exists common control and directors exercise common control. Transactions are carried out with related parties on a regular basis and in the ordinary course of the business.

	Group	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019
	€	€
Purchase of goods	**1,534,342**	2,057,445
Purchase of Intellectual Property	**4,000,000**	-
Recharge income	**-**	651
Commission income	**101,284**	145,749
Amounts owed by related parties	**455,017**	225,996
Amounts owed to related parties	**5,539,380**	1,041,815
Borrowings from ultimate beneficial owners	**300,000**	3,886,443

NOTES TO THE FINANCIAL STATEMENTS – continued

27. RELATED PARTY TRANSACTIONS - continued

Transactions within the Group

During the year under review, The Convenience Shop Limited extended funds to various group companies for working capital purposes amounting to €1,217,379 (2019: €744,952).

Also, The Convenience Shop (Management) Limited charged the group of companies for the following management fee and accounting fee services amounting to €649,599 (2019: €786,506) and €36,000 (2019: €37,200), respectively.

	Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019 €
Dividend income	**461,538**	1,076,923
Interest income	**318,500**	244,329
Amounts owed by subsidiaries	**3,349,744**	768,744
Loans receivable	**4,460,317**	4,267,318

The outstanding amounts arising from these transactions are disclosed in Notes 17, 19 and 24 to the financial statements.

28. FINANCIAL RISK MANAGEMENT

The Company's directors are responsible for managing the risks faced by the Group. This responsibility includes identifying, analysing, setting the appropriate risk limits and controls, and monitoring adherence to such limits and controls.

At period end, the Company's financial assets are comprised of financial assets at amortised cost namely loans receivable, trade and other receivables and cash and cash equivalents while the Group's financial assets at amortised cost comprise of loans receivables, trade and other receivables and cash and cash equivalents. At period end, there were no off-balance sheet financial assets.

NOTES TO THE FINANCIAL STATEMENTS – continued

28. FINANCIAL RISK MANAGEMENT - continued

At period end, the Company financial liabilities are comprised of financial liabilities at amortised cost namely bonds payable and trade and other payables while the Group's financial liabilities at amortised cost include bonds payable, interest-bearing loans and borrowings, lease liability and trade and other payables. At period end, there were no off-balance sheet financial liabilities except as disclosed in Note 21 to the financial statements.

The Company and the Group's financial instruments are exposed to market, credit and liquidity risks.

Market risk

Market risk is the risk that changes in market prices (e.g. foreign exchange rates, interest rates and equity prices) will affect the Company and the Group's income or the value of its holdings of financial instruments. The Company and the Group is exposed mainly to changes in interest rates.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The directors manage interest rate risk by minimising variable-rate long-term borrowings.

The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Company's bonds payable are at fixed interest rates.

The Group's bank loans amounting to €1,052,470 (2019: €714,252) are principal and interest payment loans. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of €7,143 per annum.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge its obligation to the Company or the Group.

Financial assets which potentially subject the Company and the Group to concentrations of credit risk consist of loans receivable, trade receivables and cash in banks. The maximum exposure to credit risk at the reporting date in respect of the recognised financial assets is the carrying amount disclosed in the statement of financial position and notes to the financial statements.

Cash at Bank

The credit risk relating to cash in banks is considered to be low in view of management's policy of placing it in reputable financial institutions.

Trade receivables

The Group's risk is managed through assessing the credit quality of its customers by taking into account the financial position, past experience and other factors and incorporating forward looking information such as economic conditions where the debtors operate and other macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE FINANCIAL STATEMENTS – continued

28. FINANCIAL RISK MANAGEMENT - continued

An impairment analysis is performed at each reporting date for these assets using the simplified approach to measure the allowance ECL on trade receivables. The Company determines the allowance for ECL by using a provision matrix as they possess shared credit risk characteristics, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Loans receivable

The Group has adopted a 12-month ECL method to its loan receivable. As at 31 December 2019, the Board of Directors consider the probability of default to be zero given management's assessment of the counterparty's ability to meet its contractual obligations. Thus, no loss allowance has been recognised based on 12-month expected credit losses.

Credit risk - continued

The following table summarises the maximum exposure to credit risk arising from the Company's and the Group's financial assets:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash in banks	**907,273**	1,562,056	**105,865**	507,029
Trade receivables	**816,299**	423,804	**-**	-
Loans receivable	**-**	-	**4,460,317**	4,267,318
	1,723,572	1,985,860	**4,566,182**	4,774,347

Collateral

The Company and the Group do not hold any collateral.

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes the risk that obligations cannot be met as and when they fall due.

The directors manage liquidity risk by maintaining adequate cash reserves and/or available borrowing facilities by continuously monitoring actual and forecast cash flows as well as the maturity profiles of financial liabilities.

The following table analyses the undiscounted contractual cash flows arising from the Group's and Company's financial liabilities.

Group

	Within 12 months	**Between 1 to 5 years**	**More than 5 years**	**Total**
Bonds payable (Note 21)	250,000	1,000,000	3,744,719	4,994,719
Bank loan (Note 21)	202,490	640,982	208,998	1,052,470
	452,490	**1,640,982**	**3,953,717**	**6,047,189**

NOTES TO THE FINANCIAL STATEMENTS – continued

28. FINANCIAL RISK MANAGEMENT - continued

Company

	Within 12 months	Between 1 to 5 years	More than 5 years	Total
Bonds payable (Note 21)	250,000	1,000,000	3,744,719	4,994,719

During the period under review the Group entered into a number of lease arrangements resulting in an outstanding lease liability of €10,044,526 out of which €598,083 is repayable within the year.

Fair value of financial instruments

As at period end, the carrying amounts of the cash and cash equivalents, trade and other receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of non-current receivables and payables is not different from its carrying amount.

Timing of cash flows

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

Capital risk management

The capital structure of the Company and the Group consists of debt, which includes the borrowings disclosed in Note 21, and equity attributable to equity holders, comprising issued share capital and retained earnings as disclosed in Note 20 to these financial statements and in the statement of changes in equity.

The Company and the Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing. Business in the tourism sector (Northern and Northern harbour region) was adversely impacted with the vast majority of these stores seeing a reduction in customer footfall due to the decline in tourism as well as the sudden departure of expats. Nonetheless, the Company opened 5 new outlets and revenue being generated from these outlets is managing to cushion the impact of COVID-19 whilst paving the way for recovery. The Directors will continue to monitor and assess the situation on an on-going basis given that it is rapidly developing and is dependent on measures imposed by the Maltese Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Cost of sales	I
Administrative expenses	II

COST OF SALES

	Group		Company	
	01.01.2020 to 31.12.2020	26.07.2018 to 31.12.2019	**01.01.2020 to 31.12.2020**	26.07.2018 to 31.12.2019
	€	€	**€**	€
Opening stock	**1,847,120**	2,448,571	-	-
Overstatement of prior year closing stock	-	(5,685)	-	-
Purchases	**22,961,051**	27,249,605	-	-
Rebates	**(770,834)**	(1,030,190)	-	-
Closing stock	**(2,470,290)**	(1,847,120)	-	-
	22,752,508	26,815,181	-	-
Direct labour	**3,750,952**	4,213,555	-	-
Subcontracted labour	**1,382,801**	1,249,847	-	-
Other purchases	**197,787**	-	-	-
Depreciation of property, plant and equipment	**529,416**	444,591	-	-
Depreciation of right-of-use asset	**792,731**	737,867	-	-
Amortisation of other intangible assets	**49,271**	68,740	-	-
	29,455,468	33,529,781	-	-

ADMINISTRATIVE EXPENSES

	Group		Company	
	01.01.2020 to 31.12.2020 €	26.07.2018 to 31.12.2019 €	**01.01.2020 to 31.12.2020 €**	26.07.2018 to 31.12.2019 €
Directors' remuneration	**252,317**	282,374	**22,871**	22,000
Auditors' remuneration	**27,000**	26,300	**8,000**	8,000
Accountancy fees	**32,065**	50,452		-
Consulting and professional fees	**180,429**	209,515	**12,848**	16,021
Annual admission fee	**7,376**	-	**7,376**	-
Bank charges	**10,294**	28,293	**107**	43
Salaries, wages and employee benefits	**-**	-	**-**	-
Recharges	**11,511**	(16,443)	**-**	-
Depreciation of property, plant and equipment	**25,580**	201,287	**-**	-
Depreciation on right-of-use asset	**7,518**	58,519	**-**	-
Amortisation charge	**-**	15,546	**-**	-
Electricity & water	**649,519**	719,791	**-**	-
Franchise fee	**-**	10,598	**-**	-
Insurance	**90,822**	76,930	**10,177**	-
Fines and penalties	**3,129**	10,158	**-**	-
Repairs and maintenance	**86,277**	102,792	**-**	-
Commissions	**138,662**	266,608	**-**	-
Company registration fee	**500**	630	**-**	-
Cleaning	**8,121**	36,355	**-**	-
Administration and management fees	**26,280**	95,130	**-**	-
Bad debts	**-**	12,186	**-**	-
Telephone and fax	**30,252**	67,607	**-**	-
Sundry expenses	**-**	-	**-**	
Miscellaneous	**263,663**	130,061	**200**	134
Fuel	**35,193**	37,809	**-**	-
Postage	**1,471**	717	**-**	-
Printing and stationary	**13,870**	22,327	**-**	-
Subscriptions	**91,492**	122,607	**-**	-
Travelling and entertainment	**99,977**	80,540	**-**	-
Disposal of assets	**-**	33,180	**-**	-
Promotions	**317,495**	345,284	**-**	-
Rebates	**2,583**	519,727	**-**	-
Rent	**30,441**	49,908	**-**	-
Equipment rent	**-**	41,419	**-**	-
Waste garbage collection	**45,780**	-	**-**	-
Coin delivery charges	**8,571**	-	**-**	-
Recruitment fees	**20,467**	-	**-**	-
IT Expenses	**41,756**			
	2,285,443	3,638,208	**61,579**	46,198