

ORION RETAIL INVESTMENTS LIMITED

*Annual Report
and
Consolidated Financial Statements
31 December 2020*

Company Registration Number C 80707

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The directors present the annual report together with the audited financial statements of the Company and the Group, which comprises the parent Orion Retail Investments Limited and its subsidiary Orion Finance plc (hereinafter referred to as the Group), for the year ended 31 December 2020.

Principal Activities

The Company's main trading activity is to purchase, take by title of emphyteusis, usufruct, lease or exchange or otherwise acquire any immovable or movable property and also to own, manage, develop, administer, sell, exchange, lease, grant licenses and other rights over or otherwise deal with or dispose of property of any kind

The subsidiary company's main trading activity is to raise finance through the issue of bonds.

Performance Review

The COVID 19 pandemic has disrupted business on a global level. Despite this, the pandemic did not have a direct impact on the business of the Group and the Company, as the revenue generated remained in line with the lease agreements entered into. In fact, the Group generated revenue amounting to €1,273,103 (2019: €1,233,627) and reported a profit for the year before taxation amounting to €493,539 (2019: €398,889). After accounting for taxation, the Group's profit amounted to €192,407 (2019: €129,452).

On the same lines, the Company generated revenue amounting to €1,273,103 (2019: €1,233,627) from rental of properties which was constant with revenues generated in previous year. The Company's profit before taxation amounted to €451,056 (2019: €356,107). After accounting for taxation, the profit for the year amounted to €168,218 (2019: €104,513).

Dividends and Reserves

The retained earnings of the Group and the Company at the end of the year amounted to €437,836 (2019: €245,429) and €334,098 (2019: €165,880) respectively. The directors do not recommend the distribution of a dividend and propose to transfer the profit for the year to reserves.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 24 in these financial statements.

Events Subsequent to the Statement of Financial Position Date

There were no particular important events affecting the Group which occurred since the end of the accounting period.

Future Developments

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

Going Concern

After making enquiries and taking into consideration future plans as explained in Note 2, the directors have a reasonable expectation that the Group has adequate resources to continue in operating existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing financial statements.

Directors

Mr. Anthony Camilleri
Mr. John Soler
Dr. Michael Borg Costanzi

Statement of Directors' Responsibilities

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

In preparing the financial statements, the directors are required to: -

- ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable in the circumstances;
- adopt 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 responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and the parent company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Maltese Companies Act, (Cap 386). The directors are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

Approved by the Board of Directors and signed on its behalf by



Mr. Anthony Camilleri
Director



Mr. John Soler
Director

Registered Address:
14,
Manuel Borg Gauci Street,
Qormi QRM4000

12 April 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Orion Retail Investments Limited

Report on the Audit of the Financial Statements**Opinion**

We have audited the consolidated and stand-alone parent company financial statements of Orion Retail Investments Limited (the Company), set out on pages 6 to 29, which comprise the consolidated and stand-alone parent company statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company 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 group and parent company's financial performance and the group and parent company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs), and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap 386).

Basis for Opinion

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

Other Information

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

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

Other Information (continued)

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

In addition, in light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, 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 group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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 group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company 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.

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

Report on Other Legal and Regulatory Requirements

Under Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Provida
Karm Zerafa Street
Birkirkara BKR1713
Malta

12 April 2021

		The Group		The Company	
	Notes	2020 €	2019 €	2020 €	2019 €
Revenue	6	1,273,103	1,233,627	1,273,103	1,233,627
Direct costs		<u>(606,000)</u>	<u>(606,000)</u>	<u>(606,000)</u>	<u>(606,000)</u>
Gross profit		667,103	627,627	667,103	627,627
Administrative expenses		(114,789)	(114,909)	(39,142)	(35,890)
Other income	7	271,066	262,128	270,516	262,128
Finance income	8	58,004	33,005	58,004	33,005
Finance costs	9	<u>(387,845)</u>	<u>(408,962)</u>	<u>(505,425)</u>	<u>(530,763)</u>
Profit before Income Tax	10	493,539	398,889	451,056	356,107
Income taxation	11	<u>(301,132)</u>	<u>(269,437)</u>	<u>(282,838)</u>	<u>(251,594)</u>
PROFIT FOR THE YEAR		<u>192,407</u>	<u>129,452</u>	<u>168,218</u>	<u>104,513</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>192,407</u>	<u>129,452</u>	<u>168,218</u>	<u>104,513</u>

	Notes	The Group		The Company	
		2020 €	As restated 2019 €	2020 €	As restated 2019 €
ASSETS					
Non-Current Assets					
Intangible assets	12	13,029,000	13,635,000	13,029,000	13,635,000
Investment in subsidiary	13	-	-	50,000	50,000
Sinking fund	18	200,000	100,000	-	-
		<u>13,229,000</u>	<u>13,735,000</u>	<u>13,079,000</u>	<u>13,685,000</u>
Current Assets					
Trade and other receivables	14	4,128	6,490	-	-
Cash and cash equivalents		1,212,834	1,065,541	861,297	796,314
		<u>1,216,962</u>	<u>1,072,031</u>	<u>861,297</u>	<u>796,314</u>
Total Assets		<u>14,445,962</u>	<u>14,807,031</u>	<u>13,940,297</u>	<u>14,481,314</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Called up issued share capital	15	6,029,528	6,029,528	6,029,528	6,029,528
Retained earnings	16	437,836	245,429	334,098	165,880
		<u>6,467,364</u>	<u>6,274,957</u>	<u>6,363,626</u>	<u>6,195,408</u>
Non-Current Liabilities					
Borrowings	17	-	-	4,350,000	4,600,000
Interest bearing borrowings	18	4,846,706	4,938,507	-	-
Trade and other payables	19	2,117,676	2,599,150	2,117,676	2,599,150
		<u>6,964,382</u>	<u>7,537,657</u>	<u>6,467,676</u>	<u>7,199,150</u>
Current Liabilities					
Borrowings	17	-	-	250,000	200,000
Trade and other payables	19	711,649	905,366	576,157	816,983
Current tax liability		302,567	89,051	282,838	69,773
		<u>1,014,216</u>	<u>994,417</u>	<u>1,108,995</u>	<u>1,086,756</u>
Total Equity and Liabilities		<u>14,445,962</u>	<u>14,807,031</u>	<u>13,940,297</u>	<u>14,481,314</u>

The financial statements on pages 6 to 29 were approved by the Board of Directors on 12 April 2021 and were signed on its behalf by:



 Mr. Anthony Camilleri
 Director



 Mr. John Soler
 Director

The Group

	Share Capital	Retained Earnings	Total
	€	€	€
At 1 January 2019	<u>6,029,528</u>	<u>115,977</u>	<u>6,145,505</u>
Profit for the year	<u>-</u>	<u>129,452</u>	<u>129,452</u>
Total comprehensive income for the year	<u>-</u>	<u>129,452</u>	<u>129,452</u>
Balance at 31 December 2019	<u><u>6,029,528</u></u>	<u><u>245,429</u></u>	<u><u>6,274,957</u></u>
At 1 January 2020	<u>6,029,528</u>	<u>245,429</u>	<u>6,274,957</u>
Profit for the year	<u>-</u>	<u>192,407</u>	<u>192,407</u>
Total comprehensive income for the year	<u>-</u>	<u>192,407</u>	<u>192,407</u>
Balance at 31 December 2020	<u><u>6,029,528</u></u>	<u><u>437,836</u></u>	<u><u>6,467,364</u></u>

The Company

At 1 January 2019	<u>6,029,528</u>	<u>61,367</u>	<u>6,090,895</u>
Profit for the year	<u>-</u>	<u>104,513</u>	<u>104,513</u>
Total comprehensive income for the year	<u>-</u>	<u>104,513</u>	<u>104,513</u>
Balance at 31 December 2019	<u><u>6,029,528</u></u>	<u><u>165,880</u></u>	<u><u>6,195,408</u></u>
At 1 January 2020	<u>6,029,528</u>	<u>165,880</u>	<u>6,195,408</u>
Profit for the year	<u>-</u>	<u>168,218</u>	<u>168,218</u>
Total comprehensive income for the year	<u>-</u>	<u>168,218</u>	<u>168,218</u>
Balance at 31 December 2020	<u><u>6,029,528</u></u>	<u><u>334,098</u></u>	<u><u>6,363,626</u></u>

	Note	The Group 2020 €	2019 €	The Company 2020 €	2019 €
Operating Activities					
Profit for the year before taxation		493,539	398,888	451,056	356,107
<i>Adjustment for:</i>					
Interest payable		379,646	400,763	505,425	530,763
Interest receivable		(58,004)	(33,005)	(58,004)	(33,005)
Amortisation of bond issue costs		8,199	8,199	-	-
Amortisation of intangible asset		606,000	606,000	606,000	606,000
		<u>1,429,380</u>	<u>1,380,845</u>	<u>1,504,477</u>	<u>1,459,865</u>
<i>Working capital changes:</i>					
Movement in trade and other receivables		2,362	3,954	-	-
Movement in trade and other payables		5,354	(14,652)	3,560	(954)
		<u>1,437,096</u>	<u>1,370,147</u>	<u>1,508,037</u>	<u>1,458,911</u>
Cash generated from operations					
Taxation paid		(87,615)	(129,885)	(69,772)	(129,885)
Taxation refunded		-	1,435	-	-
Interest paid		(381,951)	(400,521)	(505,425)	(530,763)
Interest received		58,004	33,005	58,004	33,005
Net Cash generated from Operating Activities		<u>1,025,534</u>	<u>874,181</u>	<u>990,844</u>	<u>831,268</u>
Financing Activities					
Net repayments to parent company (Repayments to)/ advances by subsidiary company		(156,609)	(118,816)	(156,609)	(96,778)
Net repayments to fellow subsidiaries		(25,910)	-	(47,620)	120,553
Repayments of loan due to subsidiary		-	-	(25,910)	-
Movements in sinking fund		(100,000)	(100,000)	(200,000)	(100,000)
Redemption of bonds		(100,000)	-	-	-
Payments to parent company in relation to deferred consideration		(495,722)	(484,970)	(495,722)	(484,970)
Net Cash used in Financing Activities		<u>(878,241)</u>	<u>(703,786)</u>	<u>(925,861)</u>	<u>(561,195)</u>
Movement in Cash and Cash Equivalents		<u>147,293</u>	<u>170,395</u>	<u>64,983</u>	<u>270,073</u>
Cash and cash equivalents at beginning of year		<u>1,065,541</u>	<u>895,146</u>	<u>796,314</u>	<u>526,241</u>
Cash and Cash Equivalents at End of Year	20	<u>1,212,834</u>	<u>1,065,541</u>	<u>861,297</u>	<u>796,314</u>

1. General Information

Orion Retail Investments Limited (the “Company”) is a limited liability company domiciled and incorporated in Malta.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements include the financial statements of Orion Retail Investments Limited and Orion Finance plc.

The consolidated financial statements have been prepared in accordance with the provisions of the Companies Act, (Cap 386) enacted in Malta, which require adherence to International Financial Reporting Standards (IFRSs) as adopted by the EU.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Going concern

The parent company, Orion Retail Investments Limited was set up as a property management company, which is expected to receive annual streams of income from the long-term lease agreements entered into with companies in the Camilleri Group. Based on such reasons, Orion Group’s business prospects are highly dependent on the ability of the companies within the Camilleri Group to meet their obligations in a timely manner.

In preparing these financial statements, the directors of the Group assessed the impact that the COVID-19 pandemic has had on the performance of the Group and the Camilleri Group. Such assessment was performed through (i) the anticipated revenue streams which are expected to be generated over the years from lease agreements entered into on an arm’s length basis with the companies in the Camilleri Group and Orion Retail Investments Limited (ii) the actual revenue received since the pandemic commenced in March 2020. Although the pandemic did impact the operations of the Camilleri Group, due to closures in outlets as enforced by the Government and social distancing measures introduced, the directors note that the Camilleri Group did not default on its commitments at any point in time. Therefore, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

Functional and presentation currency

The financial statements are presented in Euro, which is the Company’s functional currency.

2. Basis of Preparation (continued)

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies (refer to Note 5 – Critical accounting estimates and judgements).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Preparation of consolidated financial statements

International Financial Reporting Standard 10, Consolidated Financial Statements, requires a parent company to prepare consolidated financial statements in which it consolidates its investments in subsidiaries. The consolidated financial statements of the company for the year ended 31 December 2020, comprise the company and its subsidiary, Orion Finance plc (together referred to as the "group").

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, that is at cost less impairment. Cost includes directly attributable costs of the investments. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between net disposal proceeds and the carrying amount is charged or credited to profit or loss.

3. Changes in Accounting Policies and Disclosures

There were no new standards, amendments and interpretation to existing standards that have been published and are mandatory for the accounting periods beginning 1 January 2020 or later periods, that have an effect on the group's and parent company's financial statements.

4. Significant Accounting Policies

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts.

Revenue is recognised as follows:

(i) Property related income

Rentals receivable charged to tenants of immovable property are recognised in the period when the property is occupied. The Company's policy for recognition of revenue from operating leases is described in accounting policy on 'Leases' below.

Finance income and finance costs

Finance income and finance costs are recognised in profit or loss for all interest-bearing instruments on a time-proportionate basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the Company's borrowings. Finance income and finance costs are recognised as they accrue, unless collectability is in doubt.

Leases

Leases are classified as finance leases whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Income taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

4. Significant Accounting Policies (continued)

Income taxation (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Intangible assets

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

Impairment of intangible assets

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

4. Significant Accounting Policies (continued)

Impairment of intangible assets (continued)

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

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

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

Financial instruments

Recognition and measurement

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

A financial asset (unless it is a trade receivable without a significant component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant component is measured at transaction price.

Classification and subsequent measurement

i. Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) (debt investment), FVOCI (equity instrument) or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved both by collecting contractual cash flows and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduce an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed, and information is provided to management. The information considered includes;

- history of the Group's bad debts
- liquidity position of inter-companies

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

Assessment whether contractual cashflows are SPPI

For the purpose of this assessment, 'principle' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised through profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

ii. Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfer the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

Offsetting

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

Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Group applies the simplified approach to measuring expected credit losses as permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition. In measuring the expected credit losses on trade receivables, the expected loss rate, the payment profile of sales over a period of time before reporting date and the historical credit losses experience within this period are considered. The historical loss rates are adjusted to reflect current and forward-looking information to trade receivables and the environment in which they operate.

For related party balances, the Group and parent company assesses the credit quality of the related companies by taking into account the financial position, performance and other factors. In measuring expected credit losses on these balances, management takes into account the agreement in place and adherence to the agreement.

4. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash comprises demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

5. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

6. Revenue

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Rental income	<u>1,273,103</u>	<u>1,233,627</u>	<u>1,273,103</u>	<u>1,233,627</u>

7. Other Income

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Management fee	270,516	262,128	270,516	262,128
Gain on redemption of bonds	550	-	-	-
	<u>271,066</u>	<u>262,128</u>	<u>270,516</u>	<u>262,128</u>

8. Finance Income

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Interest on loans to fellow subsidiaries	<u>58,004</u>	<u>33,005</u>	<u>58,004</u>	<u>33,005</u>

9. Finance Costs

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Interest on deferred consideration	133,390	156,022	133,390	156,022
Interest on loan from immediate and ultimate parent company	12,035	7,241	12,035	7,241
Interest on loan from subsidiary	-	-	360,000	367,500
Interest payable on bond	234,221	237,500	-	-
Amortisation of bond issue costs	8,199	8,199	-	-
	<u>387,845</u>	<u>408,962</u>	<u>505,425</u>	<u>530,763</u>

10. Profit before Income Tax

This is stated after charging the following:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Amortisation of intangible asset	<u>606,000</u>	<u>606,000</u>	<u>606,000</u>	<u>606,000</u>

The remuneration paid to the Company's auditors during the year amounts:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit fee	4,000	4,000	1,500	1,500
Other non-audit services	<u>1,516</u>	<u>665</u>	<u>1,108</u>	<u>258</u>

11. Income Taxation

	The Group		The Company	
	2020	As restated 2019	2020	As restated 2019
	€	€	€	€
Current tax expense	301,132	87,614	282,838	69,771
Tax charge on group losses surrendered from group companies (Refer to Note 21)	-	181,823	-	181,823
	<u>301,132</u>	<u>269,437</u>	<u>282,838</u>	<u>251,594</u>

11. Income Taxation (continued)

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

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Profit before taxation	<u>493,539</u>	<u>398,889</u>	<u>451,056</u>	<u>356,107</u>
Tax at the applicable statutory rate of 35%	172,739	139,611	157,870	124,637
<i>Tax effect of:</i>				
Maintenance allowance	(89,118)	(86,355)	(89,118)	(86,354)
Disallowable expenses	<u>217,511</u>	<u>216,181</u>	<u>214,086</u>	<u>213,311</u>
Tax charge	<u>301,132</u>	<u>269,437</u>	<u>282,838</u>	<u>251,594</u>

12. Intangible Assets

The Group and the Company

	Property Management Rights
At 1 January 2020	
Cost	15,150,000
Accumulated amortisation	<u>(1,515,000)</u>
Net book amount	<u>13,635,000</u>
Year ended 31 December 2020	
Opening net book amount	13,635,000
Amortisation charge	<u>(606,000)</u>
Closing net book amount	<u>13,029,000</u>
At 31 December 2020	
Cost	15,150,000
Accumulated amortisation	<u>(2,121,000)</u>
Net book amount	<u>13,029,000</u>

The Group holds property management rights.

The carrying amount of the property management rights of €13,635,000 will be fully amortised in 24 years.

13. Investment in Subsidiary

The carrying amount of the investment in subsidiary at reporting date was as follows:

	The Company	
	2020	2019
	€	€
At 1 January		
Cost and carrying net book amount	<u>50,000</u>	<u>50,000</u>
At 31 December		
Cost and carrying net book amount	<u>50,000</u>	<u>50,000</u>

The subsidiary as at 31 December 2020 is shown below:

	Registered Office	Percentage of shares held	2020 €
Orion Finance plc	14, Manuel Borg Gauci Street Qormi, QRM 4000 Malta	100	<u>50,000</u>
			<u>50,000</u>

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

	2020 €	2019 €
Ordinary shares	50,000	50,000
Retained earnings	<u>103,738</u>	<u>79,549</u>
	<u>153,738</u>	<u>129,549</u>

14. Trade and other receivables

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Prepaid expenses	<u>4,128</u>	<u>6,490</u>	<u>-</u>	<u>-</u>

15. Share Capital

	The Group and the Company	
	2020	2019
	€	€
Authorised 4,500,000 ordinary shares of €2 each	<u>9,000,000</u>	<u>9,000,000</u>
Issued and Fully Paid Up 3,014,764 ordinary shares of €2 each	<u>6,029,528</u>	<u>6,029,528</u>

16. Retained Earnings

This represents accumulated profits. During the year under review, no dividends were paid out of retained earnings.

17. Borrowings

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Loan due to subsidiary	<u>-</u>	<u>-</u>	<u>4,350,000</u>	<u>4,600,000</u>
Current				
Loan due to subsidiary	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>200,000</u>
Total	<u>-</u>	<u>-</u>	<u>4,600,000</u>	<u>4,800,000</u>

Non-current portion of loan due to subsidiary is unsecured, carries interest at 7.5% per annum and is repayable in full by not later than 18 June 2027.

Current portion of loan due to subsidiary is unsecured, carries interest at 7.5% per annum and is repayable in full by not later than 19 December 2021.

18. Interest-bearing borrowings

	The Group	
	2020	2019
	€	€
Non-current		
5,000,000 4.75% Unsecured Bonds 2027	<u>4,846,706</u>	<u>4,938,507</u>
Bonds outstanding (face value)	<u>5,000,000</u>	<u>5,000,000</u>
Gross amount of bond issue costs	(81,991)	(81,991)
Amortisation of gross amount of bond issue costs:		
Amortised bond issue costs brought forward	20,498	12,299
Amortisation charge for the year	<u>8,199</u>	<u>8,199</u>
Unamortised bond issue costs	<u>(53,294)</u>	<u>(61,493)</u>
Redemption of bonds	<u>(100,000)</u>	<u>-</u>
Amortised cost and closing carrying amount	<u>4,846,706</u>	<u>4,938,507</u>

Interest

Interest on the 4.75% Unsecured Bonds 2027 is payable annually in arrears, on 18 June of each year.

Security

The bonds constitute the general, direct, unconditional and unsecured obligation of the subsidiary company, guaranteed by Orion Retail Investments Limited (parent company), and shall at all times rank *pari passu*, without any priority or preference among themselves and with other outstanding and unsecured debt of Orion Finance plc and the parent company, present and future. In addition, the Bonds would rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.

Sinking fund

The Company Admission Document provides that as from financial year end 31 December 2019, the Group is to set up a sinking fund to be administered independently to cover 100% of the value of the issued bonds until redemption date. The required contributions to the sinking fund as at 31 December 2020 amount to €300,000.

During 2020, €100,000 of the sinking fund were utilised to buy back the Group's bonds in accordance with the Group's Treasury Management Policy. As at year end, the sinking fund amounted to €200,000.

By March 2021, the sinking fund held at year end amounting to €200,000 was fully utilised to buy back the Group's bonds.

19. Trade and Other Payables

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Deferred consideration due to immediate and ultimate parent	<u>2,117,676</u>	<u>2,599,150</u>	<u>2,117,676</u>	<u>2,599,150</u>
Current				
Deferred consideration due to immediate and ultimate parent	481,478	495,725	481,478	495,725
Amounts due to subsidiary	-	-	-	47,620
Amounts due to fellow subsidiary	-	25,912	-	25,912
Amounts due to ultimate parent	-	156,609	-	156,609
Trade payables	5,330	5,521	-	146
Indirect taxation payable	92,036	89,182	92,029	89,182
Accrued expenses	<u>132,805</u>	<u>132,417</u>	<u>2,650</u>	<u>1,789</u>
	<u>711,649</u>	<u>905,366</u>	<u>576,157</u>	<u>816,983</u>
Total	<u><u>2,829,325</u></u>	<u><u>3,504,516</u></u>	<u><u>2,693,833</u></u>	<u><u>3,416,133</u></u>

Non-current portion of deferred consideration due to immediate and ultimate parent company is unsecured, carries interest at 4.58% per annum and is repayable in full by not later than May 2024.

Current portion of deferred consideration due to immediate and ultimate parent company is unsecured, carries interest at 4.58% per annum and is repayable in full by not later than 31 December 2021.

Amounts due to subsidiary and fellow subsidiary are unsecured, interest free and have no fixed date for repayment, however these are expected to be repaid within the next twelve months.

20. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank	<u>1,212,834</u>	<u>1,065,541</u>	<u>861,297</u>	<u>796,314</u>

21. Related Party Transactions

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

The Orion Group forms part of the Camilleri Group of Companies. All companies forming part of the Camilleri Group are related parties since these companies are ultimately owned by Camilleri Holdings Limited which is considered by the directors to be the ultimate controlling party.

Trading transactions between these companies include items which are normally encountered in a group context. The Group is ultimately owned by members of the Camilleri family.

Camilleri Holdings Limited is the immediate and ultimate parent of the Orion Group.

Camilleri Holdings Limited produces consolidated financial statements that are available for public use, and which incorporate the individual financial statements of the Company. The registered address of Camilleri Holdings Limited is 63, St. Dominic Street, Valletta, VLT 1602, Malta.

Transactions with related parties

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Revenue				
Rental income	1,273,103	1,233,627	1,273,103	1,233,627
Management fee charged to immediate and ultimate parent	270,516	262,128	270,516	262,128
Interest receivable on loans due from fellow subsidiaries	<u>58,004</u>	<u>33,005</u>	<u>58,004</u>	<u>33,005</u>
Expenditure				
Management fee charged by immediate and ultimate parent	(33,468)	(32,430)	(33,468)	(32,430)
Interest payable on loan due to subsidiary	-	-	(360,000)	(367,500)
Interest payable on deferred consideration due to immediate and ultimate parent	(133,390)	(156,022)	(133,390)	(156,022)
Interest payable on loans due to immediate and ultimate parent	<u>12,035</u>	<u>(7,241)</u>	<u>(12,035)</u>	<u>(7,241)</u>

21. Related Party Transactions (continued)

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Loans and Advances				
Repayments to/ (advances from) immediate and ultimate parent company	(156,609)	(96,778)	(156,609)	(96,778)
Net advances to fellow subsidiaries	(25,910)	-	(25,910)	-
Advances by subsidiary	-	-	(47,620)	(120,553)
Movement in loan due to subsidiary	-	-	(200,000)	(100,000)
Movement in deferred consideration due to immediate and ultimate parent company	<u>495,722</u>	<u>484,971</u>	<u>495,722</u>	<u>484,971</u>

Loan due to subsidiary is unsecured, carries interest at 7.5% per annum and is repayable in full by not later than 18 June 2027, except for the amount of €200,000 which is repayable by not later than 19 December 2021.

Deferred consideration due to parent company is unsecured, carries interest at 4.58% per annum and is repayable in full by not later than May 2024, except for an amount of €481,478 which is repayable by not later than 31 December 2021.

Year end balances arising from related party transactions are disclosed in Notes 17 and 19 to the financial statements.

22. Prior Year Adjustment

During the year ended 31 December 2019, the Company has received group tax losses surrendered from its fellow subsidiaries. This has resulted in a lower corporate tax due as at 31 December 2019 to Inland Revenue Department. Consequently, a prior year adjustment is being affected in this respect as noted below.

a) The carrying amounts of trade and other payables as at 31 December 2019 were restated as follows:

	2019
	€
Carrying amount of trade and other payables as at 31 December 2019 as previously reported	3,234,310
<i>Prior year adjustment:</i>	
Surrender of group tax losses by fellow subsidiaries	<u>181,823</u>
Carrying amount of trade and other payables as at 31 December 2019 as restated	<u><u>3,416,133</u></u>

22. Prior Year Adjustment (continued)

b) The carrying amount of current tax liability as at 31 December 2019 was restated as follows:

	2019
	€
Carrying amount of current tax payables as at 31 December 2019 as previously reported	251,596
<i>Prior year adjustment:</i>	
Surrender of group tax losses by fellow subsidiaries	<u>(181,823)</u>
Carrying amount of current tax liability as at 31 December 2019 as restated	<u>69,773</u>

The adjustment had no effect on the statement of comprehensive income for the year ending 31 December 2019.

23. Contingent Liabilities

The Group has given a general hypothec on all its assets, present and future, in favour of Camilleri Holdings Limited, for the amount of €7,000,000.

As 31 December 2020, the Group held the following guarantees in favour of related companies:

- Guarantee amounting to €7,000,000 to secure liabilities of Camilleri Holdings Limited;
- Guarantee in favour of Orion Finance plc in relation to issue of €5,000,000 4.75% Unsecured Bonds 2027.

24. Financial Risk Management

At the period end, the Group's main financial assets comprised of the sinking fund and cash held at bank.

At the period end the Group's main financial liabilities consisted of borrowings and trade and other payables.

The Group's principal risk exposures related to credit risk and liquidity risk. The Group is not exposed to currency risk and the directors consider interest rate risk exposure to be minimal due to fixed interest rates stipulated on interest bearing liabilities. Note 18 incorporates interest rates and maturity information with respect to the Company's main interest-bearing liabilities.

Timing of Cash Flows

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

25. Financial Risk Management (continued)

Credit Risk

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of sinking funds and cash at bank (Notes 18 and 20). The carrying amount of financial assets represents the maximum credit exposure.

The Group's cash at bank and sinking fund are placed with high quality financial institutions.

Liquidity Risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables, interest-bearing borrowings and borrowings (refer to Notes 17, 18 and 20). The Group is exposed to liquidity risk arising from its ability to satisfy liability commitments depending on cash inflow receivable from Camilleri Group. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

Management monitors liquidity risk by means of cash flows forecasts on the basis of expected cash flows over a twelve-month period to ensure that no additional financing facilities are expected to be required over the coming year.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2020.

Fair Value of Financial Instruments

At 31 December 2020 and 31 December 2019, the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. As at end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

ORION RETAIL INVESTMENTS LIMITED
Schedule to the Consolidated Financial Statements
For the year ended 31 December 2020

SCHEDULE

1. Direct Costs
2. Administrative Expenses

ORION RETAIL INVESTMENTS LIMITED

Schedule 1

Direct Costs

For the year ended 31 December 2020

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Amortisation of intangible asset	<u>606,000</u>	<u>606,000</u>	<u>606,000</u>	<u>606,000</u>

ORION RETAIL INVESTMENTS LIMITED

Schedule 2

Administration Expenses

For the year ended 31 December 2020

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Audit fee	4,000	4,000	1,500	1,500
Directors' remuneration	40,000	45,000	-	-
Maternity fund	120	250	-	-
Management fee charged by parent company	33,468	32,430	33,468	32,430
Registration fee	1,400	1,400	1,400	1,400
Professional fees	33,898	31,454	1,150	405
Fines and penalties	1,558	-	1,558	-
Stationery	-	123	-	123
Bank charges	345	252	66	31
	<u>114,789</u>	<u>114,909</u>	<u>39,142</u>	<u>35,890</u>