The Convenience Shop (Holding) plc

Annual Report
and
Consolidated Financial Statements

31 December 2021

Company Registration Number: C 87554

Table of
CONTENTS

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

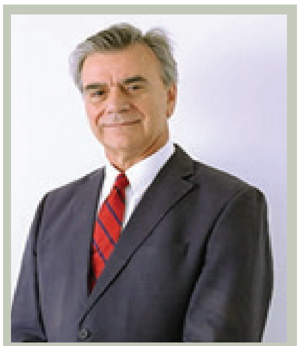
Bankers

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

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

BOARD OF DIRECTORS & GROUP COMPANY SECRETARY



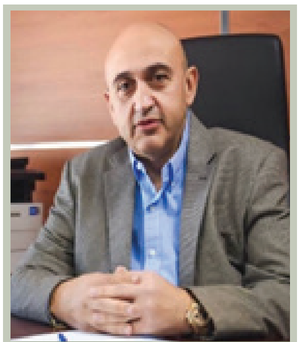
Benjamin Muscat
Chairman

Charles Scerri
Non-Executive Director

Dr. Kevin Deguara
Non-Executive Director

Manuel Piscopo
Executive Director

Ivan Calleja
Executive Director

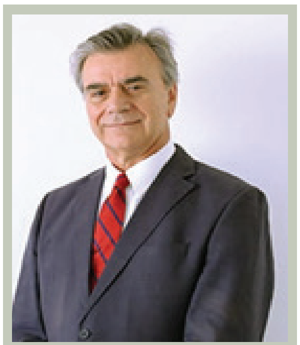


Joseph Pace
Executive Director

Dr. Richard Deschrijver
Company Secretary

AUDIT COMMITTEE & INTERNAL AUDITOR

Charles Scerri
Chairman



Benjamin Muscat
Audit Committee Member

Dr. Kevin Deguara
Audit Committee Member

Neil Falzon
Internal Auditor

BOARD OF DIRECTORS, GROUP COMPANY SECRETARY, AUDIT COMMITTEE & INTERNAL AUDITOR PROFILES

Mr Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – FCCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast-food franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Today Benjamin provides professional services as a freelance consultant and independent directorship services.

Mr Charles Scerri is a Certified Public Accountant and Registered Auditor by profession (Fellow of the Malta Institute of Accountants) with a long career in finance and management at senior executive positions. He has worked in various industry sectors including banking and finance, auditing, manufacturing, leisure and hospitality. In 1995 he set up his own accountancy and audit practice. CSA Group has grown in a multi-disciplinary firm, currently employing more than 85 professionals. The firm is the exclusive representative of Allinial Global in Malta, providing services to local and foreign companies. Charles also sits as an independent director on various boards of other listed companies..

Dr Kevin Deguara is a qualified lawyer and founding partner of DF Advocates. Dr Kevin Deguara heads the Private Client Department within the firm. He specializes in international structuring for ultra-high net worth individuals, families, succession, asset protection structuring, citizenship and immigration issues. He has also considerable experience acting as a transactional lawyer specialising in real estate. He has over the last 17 years advised developers and landowners on a variety of residential, commercial, retail, leisure, educational and mixed-use developments. He also occupies a number of posts as director on the boards of a number of companies involved in retail, manufacturing, real estate, corporate services and hospitality business.

Mr Manuel Piscopo has been involved in the Group since 2005 as owner and manager of the Safi and Mqabba outlets. Following the Group restructuring in 2018, Manuel has been involved as shareholder and manager of a number of entities within the Group. Manuel has also served the Group as head of new outlets and maintenance since 2014 and has been actively involved in setting the Group standards and ensuring that such standards are maintained throughout the various outlets.

Mr Ivan Calleja has led the Group from its inception to its current position in the fast-moving consumer goods sector. Ivan has developed the Group's operational strategy and is in charge of maintaining solid relationships with the Group's shareholders, business partners and the respective authorities. Ivan also serves as the main point of contact between the Directors and most of the Group's management and support staff with proven problem-solving and conflict management skills. Ivan also serves as the public relations representative of the Group.

Mr Joseph Pace has been in the fast-moving consumer goods business for over 20 years with significant experience in the management of day-to-day operations from his start as owner of JPS supermarket in 2001. Joseph has also consistently shown his financial acumen to be up to standard through his operational and financial involvement as director of Marant Food Products Limited, a company which supplies pre-packed food to groceries and supermarkets nationwide. Such financial acumen has been further defined through Joseph's role as owner and director of the Group, which has grown from one shop in Zebbug to over 51 shops over a span of 13 years.

Dr Richard Deschrijver is a lawyer by profession and is currently a senior associate at DF Advocates, where his main practice areas include corporate and commercial law, mergers and acquisitions, and gaming law. Richard regularly assists clients with local and cross-border corporate and commercial law matters in a wide-range of international and local projects and transactions and has considerable experience in assisting clients on corporate restructurings and M&A transactions. Richard is frequently involved in the formation of companies and assisting companies in their ongoing compliance matters and guidance on good corporate governance.

Mr Neil Falzon is a Certified Public Accountant by profession, holds a Practising Certificate in Auditing and is a Fellow of the Malta Institute of Accountants. As an external auditor working for one of the Big 4 Audit firms, Neil gained considerable experience auditing clients in the middle-markets industry. As the Group internal auditor, Neil provides independent and objective assurance over the Group's risk-prioritised operations and processes. Neil also supports management in assessing and mitigating risks to protect the business, delivering the audit plan as well as report on the effectiveness of the systems of internal control.

THE MANAGEMENT TEAM

Left to right

Sharon Sammut	Financial Planning & Performance Analyst
Melanie Tanti	Marketing Manager
Andrew Attard	Chief Operations Officer
Joseph Camilleri	Head of Security
Martin Agius	Chief Executive Officer
Florin Leban	Space Planning and Assortment Manager
Alan Schembri	Chief Finance Officer
Adrian Zammit	Chief Technology Officer
Alexis Delmar	Human Resources Manager
Mark Barbara	Head of Maintenance
Alexia Zammit	Commercial Manager (in absentia)

KEY PERFORMANCE INDICATORS

The Convenience Shop Franchise

Number of Shops
77

Locations
44

Number of shops and locations comprise owned and franchise outlets, including one franchise outlet opened in April 2022

Employees
594

Females
348

Males
246

Brands Available
1,856

Local Suppliers
217

The Convenience Shop Group

Total Revenue
€35.2M
Growth Over 2020
7%

Operating Profit
€2M
Growth Over 2020
71%

Profit Before Tax
€1.6M
Growth Over 2020
53%

Total Assets
€34.5M
Increase Over 2020
2.4%

Cash Flow From Operating Activities
€4.7M
Increase Over 2020
28%

Dividends Declared
€500K
Increase Over 2020
54%

The Convenience Shop (Holding) plc
DIRECTORS' REPORT

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

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

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

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 Shop Group (the "Group"). The Group, of which the Company is the parent, consists of the entities as detailed below.

- The Convenience Shop Limited (C 87556)
- The Convenience Shop (Management) Limited (C 87711)
- Daily Retail Challenges Limited (C 79662)
- Aynic & Co. Limited (C 74750)
- Seafront Express Limited (C 73435)
- Gbake Manufacturing Limited (C 60422)
- GNJ Company Limited (C 88969)
- Gbake Retail Limited (C 60421)
- The Convenience Shop for Puttinu Cares Limited (C 90748)

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.

Principal activities

The principal activities of the Group relate to the operation of a chain of retail outlets under The Convenience Shop brand in Malta with a current shop count of 38 owned shops and 38 franchised shops as at 31 December 2021.

Review of the business trading performance

Whilst the pandemic continued to present several challenges in various sectors of the business, the Group has shown great resilience and agility translated into a solid performance. Group turnover reached €35.2 million, representing a growth of 7% over the previous year.

The Group registered a strong financial performance with a profit before tax of €1.6 million for the year ended 31 December 2021, a 53% increase over the previous year, and a gross profit of €4.6 million, a 32% increase over the previous year (year ended 31 December 2020 - €1 million and €3.5 million respectively). Group EBITDA adjusted for the impact of IFRS 16 Leases, amounted to €3 million, a 47% increase over the previous year (year ended 31 December 2020 - €2.04 million).

When comparing these results with the Forecast as submitted through the Company Announcement CVS32 on 26th April 2021, the Group has successfully achieved and exceeded such forecasts. Profit before tax was €122,201 higher than Forecast. This is mainly attributable to the contribution from the opening of two new outlets as well as the growth in franchise income, improved online business and savings in operating costs.

In 2021, the Group continued optimising its space-to-sales and space-to-margin opportunities through category management 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 sections were introduced in more than 50% of our stores.

We value the work ethic of our employees in all sectors ranging from operations and sales to customer service and management as they work together towards the same goals. As a Group, we truly care for every person on our team and their contentment is of great importance to us. The Directors would once again like to take the opportunity to thank all employees for their commitment and support.

DIRECTORS' REPORT - continued

Financial Position

The Group's total assets as at 31 December 2021 amounted to €34.5 million (as at 31 December 2020 - €33.6 million).

Although the pandemic has put pressure on the ability to generate cash, the Group remains highly liquid. Cash and cash equivalents as at 31 December 2021 amounted to €1.4 million (as at 31 December 2020 - €1.1 million). The Group also registered a 28% increase in cash flow from operating activities over the previous year.

The Group's current assets increased by 12% whereas the current liabilities have decreased by 28% resulting in a 24% improvement in the Group's current ratio. This resulted from various initiatives implemented throughout the year by the Group as referred to in the Investments section below.

The Group's net borrowings (excluding the lease liability in terms of IFRS 16) amounted to €6.2 million (as at 31 December 2020 - €6 million). Total equity of the Group amounted to €3.1 million (as at 31 December 2020 - €2.6 million).

Investments

The Group scaled up the renovation of existing outlets in order to ensure that the look and feel of the shops is consistently of good quality across the entire network. In 2021, the Group invested around €2M in improvements to premises, plant and machinery and office equipment including IT software. This reflects the ongoing commitment of the Group to continuously innovate and invest in the modernization of its infrastructure. Amongst several initiatives and projects, in 2021 the Group invested in a time and attendance system, a cashier cash reconciliation system as well as a purchase order form system.

The time and attendance system introduced new controls and procedures to monitor cost of labour across all outlets. This system will help the Group to monitor and control operational costs by re-aligning man hours across different outlets, according to store size and turnover.

The cashier cash reconciliation system was developed to facilitate and control the end of shift sales and cash reconciliation. In line with the new cash reconciliation system, the Group has also enhanced its cash collection from outlets and depositing procedures.

The purchase order form system introduced controls and procedures to monitor purchasing and stocking up of goods across all outlets. This system will help the Group to monitor its procurement as well as eliminate the risk of over stocking in outlets.

In 2021, the Group has also invested heavily in hardware, in particular a new server at head office, new PDAs in all outlets, an off-site backup location and equipment and a 3G modem installation for a failover in all outlets amongst others.

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 2022 and events subsequent to the financial reporting date

Despite the challenges faced, the Group is in a strong position and remains well focused on serving its customers. The Group continues to invest in its people and systems to not only enhance the shopper experience in all outlets but also to introduce more efficient processes and procedures for all our employees. Focus is also directed at strengthening stock control and identifying potential issues in a timely manner.

In Q2 of 2022 the Group is implementing further enhancements to the purchase order form system which will introduce further controls to ensure optimum stock levels in outlets and increase its use in further outlets.

In April 2022, The Convenience Shop expanded its presence to forty-four localities with the opening of a new franchise outlet in the locality of Dingli. In 2022, the Group envisages a wider presence exceeding the 80 outlets mark as a result of the opening of a new owned outlet and further franchise stores.

DIRECTORS' REPORT - continued

Outlook for 2022 and events subsequent to the financial reporting date - continued

The Convenience Shop remains the leading daily shopping destination serving as a one-stop-shop while offering key fast moving consumer goods and fresh food including, daily-baked bread, fresh fruit and vegetables, meat and dairy products.

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. The Directors are also keeping a keen eye on the developments of the Russia-Ukraine war to ensure product availability and safeguard affordability of products to customers through monthly price offers and other initiatives.

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, 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 2021 are included in the Annual Report 2021, 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 2021, and of the financial performance and the cash flows for the year 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

During the year, a final dividend of €124,000 was paid out of prior year profits. The Board declared an interim net dividend of €175,000 on 27 August 2021. The Board is proposing the payment of a final net dividend, of €325,000, for consideration at the forthcoming Annual General Meeting.

DIRECTORS' REPORT - continued

Going concern

As at 31 December 2021, total assets exceeded total liabilities by €3.1 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 2021 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 27 April 2022 and signed on its behalf by:

Benjamin Muscat
Chairman

Ivan Calleja
Executive Director

Corporate Governance - Statement of Compliance

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 judgment 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.

Corporate Governance - Statement of Compliance - continued

General - Continued

Principle Two: The Company's Chairman and Chief Executive - continued

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:

- Mr Benjamin Muscat – Chairman & Non-executive Director
- Mr Charles Scerri – Non-executive Director
- Dr Kevin Deguara – Non-executive Director
- Mr Joseph Pace – Executive Director
- Mr Ivan Calleja – Executive Director
- Mr Manuel Piscopo – Executive 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.

Corporate Governance - Statement of Compliance - continued

General - Continued

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 five 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:

- Mr Charles Scerri – Chairman
- Mr Benjamin Muscat – Member
- Dr Kevin Deguara – Member

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.

Corporate Governance - Statement of Compliance - continued

General - Continued

Principle Four: The Responsibilities of the Board - continued

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 are on the agenda 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 five times during the financial year under review.

The following Directors attended Board meetings as follows:

	Number of Meetings
Benjamin Muscast *Chairman/Non-executive Director*	5 out of 5
Charles Scerri *Non-executive Director*	5 out of 5
Kevin Deguara *Non-executive Director*	5 out of 5
Joseph Pace *Director*	5 out of 5
Ivan Calleja *Director*	5 out of 5
Manuel Piscopo *Director*	5 out of 5

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

Corporate Governance - Statement of Compliance - continued

General - Continued

Principle Six: Information and Professional Development - continued

ensuring that board procedures are complied with, as well as for ensuring 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 seven (7) Company announcements issued to the market.

general, during the financial year under review, there were seven (7) 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 Mr Benjamin Muscat and Mr 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.

Corporate Governance - Statement of Compliance - continued

General - Continued

Principle Twelve: Corporate Social Responsibility - continued

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 2021 goals covering environmental stewardship, responsible trade, looking after its workforce and its community donation programme. The Group continued supporting several NGOs including the Malta Community Chest Fund, The Malta Trust Foundation, ALS Malta, and Caritas. The Group has a retail outlet in Qormi with all profits being passed on to Puttinu Cares Foundation.
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 Thirteen: 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 Fourteen: 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 27 April 2022 and signed on its behalf by:

Benjamin Muscat
Chairman

Ivan Calleja
Executive Director

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RSM Malta
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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) plc ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together "the Group"), set out on pages 25 - 62, which comprise the statements of financial position as at 31 December 2021, 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 2021, 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 the additional report to the Audit Committee in accordance with the provision of Article 11 of the EU Regulation No. 537/2014 on specific requirements regarding statutory audits of public-interest entities.

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' International 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in Malta and that we have not provided any non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Group and its subsidiaries during the year ended 31 December 2021 are disclosed in Note 6 to the financial statements.

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.

INDEPENDENT AUDITORS' REPORT - continued

RSM

Report on the Audit of the Financial Statements - Continued

Key Audit Matters - continued

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 €5.1 million, €3.1 million and €4 million respectively. The first two intangible assets arose from the PPA exercise performed in 2019 whilst the intellectual property arose from the acquisition of 'The Convenience Shop' trademark which was purchased from Jin Limited during the prior year. During the year under review, the Group have reassessed the PPA which resulted in a restatement of €555,782 in Goodwill.

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.

Inventory and sale of goods

The business is characterised by fast movement of consumer goods and operates 38 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 2021, the Group's inventories amounted to €2.7 million, while revenue amounted to €35.2 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.

INDEPENDENT AUDITORS' REPORT - continued

RSM

Report on the Audit of the Financial Statements - Continued

Key Audit Matters - continued

Other Information

The directors are responsible for the other information. The other information comprises the general information, the board of directors & group company secretary, the audit committee & internal auditor, the board of directors, group company secretary, audit committee & internal auditor profiles, the management team, the key performance indicators, the directors' report and the corporate governance – statement of compliance. 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 and we do not express any form of assurance conclusion thereon except as explicitly stated with the report on other legal and regulatory requirements.

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.

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

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 judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT - continued

RSM

Report on the Audit of the Financial Statements - Continued

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

- 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

- 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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - Continued

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Prospects MTF Rules require 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 has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

Other matters on which we have to report by exception

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

- proper accounting records have not been kept; or
- proper returns have not been received from branches we have not visited; or
- the financial statements are not in agreement with the accounting records and returns; or
- we were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

Appointment

We were first appointed to act as statutory auditors of the Company by the shareholders of the Company on 29 October 2019 for the period ended 31 December 2019 and we were subsequently reappointed by the shareholders at the Company's general meeting for the financial years thereafter. The period of uninterrupted engagement as statutory auditor of the Company is three financial years.

This copy of the audit report has been signed by
Conrad Borg (Principal)
for and on behalf of

RSM Malta
Certified Public Accountants

27 April 2022

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
		2021	2020	2021	2020
	Note	€	€	€	€
Revenue	5	35,181,033	32,916,195	906,154	461,538
Cost of sales		(30,603,893)	(29,455,468)	-	-
Gross profit		4,577,140	3,460,727	906,154	461,538
Administrative expenses		(2,571,071)	(2,285,443)	(94,862)	(61,579)
Operating profit	6	2,006,069	1,175,284	811,292	399,959
Other income	8	432,731	629,860	30,000	-
Finance cost	9	(845,726)	(762,193)	(250,992)	(250,513)
Finance income	10	127	821	318,500	318,500
Profit before tax		1,593,201	1,043,772	908,800	467,946
Tax	11	(746,399)	(506,205)	(351,283)	(185,333)
Profit for the financial year		846,802	537,567	557,517	282,613
Total comprehensive income for the year		846,802	537,567	557,517	282,613
Total comprehensive income for the year is attributable to:					
Non-controlling interest		(14,330)	2,110	-	-
Owners of the Company		861,132	535,457	557,517	282,613
Earnings per share		12.10	10.75	7.96	5.65

STATEMENT OF FINANCIAL POSITION

As at 31 December

		Group		Company	
		2021	2020	2021	2020
	Note	€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	12	3,822,900	3,767,681	-	-
Intangible assets	13	13,491,351	13,491,239	4,000,000	4,000,000
Right-of-use asset	14	9,450,140	9,473,531	-	-
Investment in subsidiaries	15	-	-	287,797	287,797
Investment in associates	16	-	-	1,688	1,688
Loans receivable	17	-	-	4,680,956	4,460,317
		26,764,391	26,732,451	8,970,441	8,749,802
Current assets					
Inventories	18	2,697,259	2,470,290	-	-
Trade and other receivables	19	3,689,802	3,363,372	2,952,017	3,354,451
Cash and cash equivalents	25	1,367,654	1,065,126	278,709	105,865
		7,754,715	6,898,788	3,230,726	3,460,316
TOTAL ASSETS		34,519,106	33,631,239	12,201,167	12,210,118
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	70,000	70,000	70,000	70,000
Share premium		2,187,924	2,187,924	2,187,924	2,187,924
Retained earnings		927,474	365,342	331,394	72,877
		3,185,398	2,623,266	2,589,318	2,330,801
Non-controlling interest		(58,571)	(44,241)	-	-
TOTAL EQUITY		3,126,827	2,579,025	2,589,318	2,330,801
Non-current liabilities					
Interest – bearing loans and borrowings	21	10,292,925	5,844,699	9,088,501	4,994,719
Lease liability	23	9,696,003	9,446,443	-	-
Deferred tax liability	11	91,480	30,139	-	-
		20,080,408	15,321,281	9,088,501	4,994,719
Current liabilities					
Current tax payable	11	1,459,016	1,433,154	39,465	42,179
Interest – bearing loans and borrowings	21	153,350	202,490	-	-
Bank overdraft	25	1,814	-	-	-
Lease liability	23	632,848	598,083	-	-
Trade and other payables	24	9,064,843	13,497,206	483,882	4,842,419
		11,311,871	15,730,933	523,347	4,884,598
TOTAL LIABILITIES		31,392,279	31,052,214	9,611,848	9,879,317
TOTAL EQUITY AND LIABILITIES		34,519,106	33,631,239	12,201,167	12,210,118

The financial statements on pages 25 to 62 have been authorised for issue by the Board of Directors on 27 April 2022 and were signed on its behalf by:

Benjamin Muscat
Chairman

Ivan Calleja
Executive Director

STATEMENT OF CHANGES IN EQUITY

THE GROUP	Note	Share Capital	Share Premium	Retained earnings	Non-Controlling interest	Total
		€	€	€	€	€
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**
Financial year ended 31 December 2021						
Balance at 01 January 2021		70,000	2,187,924	365,342	(44,241)	2,579,025
Total comprehensive income for the year - *Profit /(loss) for the financial year*		-	-	861,132	(14,330)	846,802
Dividends paid	22	-	-	(299,000)	-	(299,000)
Balance at 31 December 2021		**70,000**	**2,187,924**	**927,474**	**(58,571)**	**3,126,827**

STATEMENT OF CHANGES IN EQUITY – continued

THE COMPANY	Note	Share Capital €	Share Premium €	Retained earnings €	Total €
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
Financial year ended 31 December 2021					
Balance at 01 January 2021		70,000	2,187,924	72,877	2,330,801
Total comprehensive income for the year					
- *Profit for the financial year*		-	-	557,517	557,517
Dividends paid	22	-	-	(299,000)	(299,000)
Balance at 31 December 2021		70,000	2,187,924	331,394	2,589,318

STATEMENT OF CASH FLOWS

		Group		Company	
		2021	2020	2021	2020
	Note	€	€	€	€
Cash flows from operating activities					
Receipts from customers		34,605,682	31,249,361	-	-
Payments to suppliers and employees		(29,733,449)	(28,268,774)	44,166	766,364
Other revenue		432,731	652,960	1,656,666	(1,964,903)
Income tax paid		(659,196)	(3,798)	(353,997)	(1,250)
Net cash flows from/(used in) operating activities		4,645,768	3,629,749	1,346,835	(1,199,789)
Cash flows from investing activities					
Acquisition of investments in subsidiaries		-	-	-	(66,300)
Acquisition of property, plant and equipment		(1,791,187)	(901,517)	-	-
Acquisition of intangible assets		(603,716)	(280,488)	-	-
Advances to subsidiary		-	-	(220,669)	(192,999)
Net cash flows used in investing activities		(2,394,903)	(1,182,005)	(220,669)	(259,299)
Cash flows from financing activities:					
Proceeds from issuance of share capital		-	2,207,924	-	2,207,924
Payments to ultimate beneficial owners		(212,107)	(3,586,443)	-	-
Net proceeds from interest-bearing loans loan		109,394	338,217	-	-
Interest on borrowings		(77,934)	(36,245)	-	-
Interest on bond		(250,000)	(250,000)	(250,000)	(250,000)
Repayments to related party loans		-	-	(404,322)	-
Payment of lease liability		(1,220,504)	(975,495)	-	-
Dividends paid		(299,000)	(900,000)	(299,000)	(900,000)
Net cash flows (used in)/from financing activities		(1,950,151)	(3,202,042)	(953,322)	1,057,924
Net cash increase / (decrease) in cash and cash equivalents		300,714	(754,298)	172,844	(401,164)
Cash and cash equivalents at beginning of year		1,065,126	1,819,424	105,865	507,029
Cash and cash equivalents at end of year	25	1,365,840	1,065,126	278,709	105,865

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Convenience Shop (Holding) plc ("the Company") is a public 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 may be deemed to exercise ultimate control over the Company.

2. 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 years presented.

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 year. 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

2. BASIS OF MEASUREMENT AND STATEMENT OF COMPLIANCE - 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue - Continued

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.

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, 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 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
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
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.

NOTES TO THE FINANCIAL STATEMENTS - continued
SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are assets held for sale in the ordinary course of business. Inventories are carried at the lower of cost and net realisable value (NRV). Cost is calculated using the first-in, first-out (FIFO) method. The inventory costs comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The NRV value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

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
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
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.

Leases

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
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 year, adjusted for bonus elements in ordinary shares issued during the financial year.

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.

5. REVENUE

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Dividend income	-	-	906,154	461,538
Sale of goods	32,261,191	30,534,995	-	-
Fees, commissions and other revenue	2,919,842	2,381,200	-	-
	35,181,033	32,916,195	906,154	461,538

NOTES TO THE FINANCIAL STATEMENTS – continued

6. OPERATING PROFIT

The operating profit is stated after charging:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Staff costs (Note 7)	4,337,792	3,750,952	24,089	-
Directors' remuneration	313,848	252,317	22,040	22,871
Auditors' remuneration	27,000	27,000	8,000	8,000
Tax compliance services	5,100	6,136	600	600
Depreciation of property, plant and equipment (Note 12)	1,665,889	554,996	-	-
Depreciation of right of use asset (Note 14)	903,885	800,249	-	-
Amortisation of intangible assets (Note 13)	47,822	49,271	-	-

7. STAFF COSTS

Staff costs incurred during the year were as follows:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Salaries and wages	4,063,987	3,539,102	24,089	-
Social security costs	265,163	205,362	-	-
Maternity fund contribution	8,642	6,488	-	-
	4,337,792	3,750,952	24,089	-

The average number of persons employed by the Group and Company during the year were 198 and 1 respectively (2020: 198 employees for Group and 0 employees for Company).

8. OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Commission income	77,594	91,349	-	-
Rental income	199,084	231,775	-	-
Government grants	3,184	10,915	-	-
Other income	152,869	295,821	-	-
Management fee	-	-	30,000	-
	432,731	629,860	30,000	-

NOTES TO THE FINANCIAL STATEMENTS – continued

9. FINANCE COSTS

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest expense on bonds payable (Note 21)	250,000	250,000	250,000	250,000
Interest expense on bank loan (Note 21)	53,871	36,245	453	-
Interest expense on lease liability (Note 14)	517,664	475,435	-	-
Other interest and financing expense	24,191	513	539	513
	845,726	762,193	250,992	250,513

10. FINANCE INCOME

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest income from bank	127	821	-	-
Interest income from loans receivable (Note 17)	-	-	318,500	318,500
	127	821	318,500	318,500

11. TAX

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Current tax charge	685,058	456,969	351,283	185,333
Deferred tax credit	61,341	49,236	-	-
	746,399	506,205	351,283	185,333

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	
	2021	2020	2021	2020
	€	€	€	€
Profit before tax	1,593,201	1,043,772	908,800	467,946
Theoretical tax credit at 35%	557,620	365,320	318,080	163,781
Non-deductible expenses	326,736	183,366	33,203	21,552
Income at different tax rate	(25)	(64)	-	-
Difference between tax base and carrying amounts of property, plant and equipment	-	(3,755)	-	-
Absorbed tax losses	-	(960)	-	-
Temporary differences	52,802	-	-	-
Loss on disposal of assets	(3,460)	-	-	-
Group loss relief	(20,998)	-	-	-
Absorbed capital allowances	(202,497)	(61,708)	-	-
Unabsorbed capital allowances	29,080	22,083	-	-
Unutilised tax losses	7,141	1,923	-	-
	746,399	506,205	351,283	185,333

NOTES TO THE FINANCIAL STATEMENTS – continued

11. TAX - Continued

The movement in deferred tax for the year is analysed as follows:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
At the beginning of the year	30,139	(19,097)	-	-
Charged to profit or loss	61,341	49,236	-	-
	91,480	30,139	-	-

Deferred income taxes are calculated on all temporary differences under the liability method using a principle rate of 35%. The balance as at 31 December represents:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Tax effect on temporary differences arising from:				
– Differences between tax base and carrying amounts of fixed assets	55,229	49,236	-	-
– Unabsorbed capital allowances	6,112	-	-	-
	61,341	49,236	-	-

As at 31 December 2021, the Group had a potential deferred tax asset of €214,888 (2020: €166,220) 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					
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	14,514	901,517
Balance at 31 December 2020	2,945,947	1,585,237	588,828	67,772	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)
Depreciation	(291,251)	(151,649)	(102,955)	(9,142)	(554,997)
Balance at 31 December 2020	(673,867)	(468,489)	(240,486)	(37,261)	(1,420,103)
Carrying amount at 31 December 2020	2,272,080	1,116,748	348,342	30,511	3,767,681

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 2021	2,945,947	1,585,237	588,828	67,772	5,187,784
Additions	610,387	708,084	472,716	-	1,791,187
Disposals	(48,225)	(24,617)	(6,775)	-	(79,617)
Balance at 31 December 2021	**3,508,109**	**2,268,704**	**1,054,769**	**67,772**	**6,899,354**
Accumulated depreciation					
As at 01 January 2021	(673,867)	(468,489)	(240,486)	(37,261)	(1,420,103)
Release on disposals	5,084	2,222	2,232	-	9,538
Depreciation	(761,052)	(554,420)	(340,703)	(9,714)	(1,665,889)
Balance at 31 December 2021	**(1,429,835)**	**(1,020,687)**	**(578,957)**	**(46,975)**	**(3,076,454)**
Carrying amount at 31 December 2021	**2,078,274**	**1,248,017**	**475,812**	**20,797**	**3,822,900**

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INTANGIBLE ASSETS

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**

Business combinations

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.

THE GROUP	Goodwill	Suppliers agreements	Intellectual property	Key money	Total
	€	€	€	€	€
Cost					
As at 01 January 2021	5,680,652	3,099,647	4,000,000	878,437	13,658,736
Additions	-	-	-	603,716	603,716
Adjustment due to variable consideration	(555,782)	-	-	-	(555,782)
Balance at 31 December 2021	**5,124,870**	**3,099,647**	**4,000,000**	**1,482,153**	**13,706,670**
Accumulated amortisation					
As at 01 January 2021	-	-	-	(167,497)	(167,497)
Amortisation	-	-	-	(47,822)	(47,822)
Balance at 31 December 2021	**-**	**-**	**-**	**(215,319)**	**(215,319)**
Carrying amount at 31 December 2021	**5,124,870**	**3,099,647**	**4,000,000**	**1,266,834**	**13,491,351**

During the year under review, the goodwill was adjusted due to a variable consideration which materialised during the current year. This has resulted in a decrease in goodwill of €555,782.

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INTANGIBLE ASSETS - continued

Details of the prior year acquisition are as follows:

	Fair value 2021	Fair value 2020
	€	€
Cash	-	9,800
Trade and other receivables	-	40,969
Inventories	-	146,442
Intangible assets	-	173,333
Property, plant and equipment	-	202,582
Trade and other payables	-	(61,804)
Goodwill	-	113,408
Right of use asset	-	656,233
Lease liabilities	-	(604,525)
Net assets acquired	-	676,438
Suppliers' agreements	-	-
Goodwill	-	-
Purchase consideration	-	676,438

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 and 31 Decmeber 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.

	Intellectual property
	€
Cost	
As at 01 January 2021	4,000,000
Additions	-
Balance at 31 December 2021	**4,000,000**
Accumulated amortisation	
As at 01 January 2021 and 31 Decmeber 2021	-
Carrying amount at 31 December 2021	**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 prior year, 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	
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**
Cost	
As at 01 January 2021	11,049,660
Assets acquired on business combination	-
Adjustment to right of use asset	53,290
Additions	933,876
Release of terminated lease	(170,675)
Balance at 31 December 2021	**11,866,151**
Accumulated depreciation	
As at 01 January 2021	(1,576,129)
Depreciation	(903,885)
Release of terminated lease	64,003
Balance at 31 December 2021	**(2,416,011)**
Carrying amount At 31 December 2021	**9,450,140**

NOTES TO THE FINANCIAL STATEMENTS – continued

15. INVESTMENT IN SUBSIDIARIES

		Company	
		2021	2020
At cost:	% shareholding	€	€
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	67,988
		287,797	287,797

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. The amount loaned to the subsidiary in prior years amounting to €98,800 were 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. 1,400 ordinary shares with a nominal value of €1 each for a total consideration of €1,973.

v. 81,400 ordinary shares with a nominal value of €1 each for a total consideration of €114,477.

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

vii. 100,000 ordinary shares with a nominal value of €1 each for a total consideration of €67,988.

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 year ended 31 December 2020 and 31 December 2021:

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 2021

Subsidiaries	Registered Office	Capital and reserves	Profit/(loss) for the year
The Convenience Shop Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	167,727	(40,990)
The Convenience Shop for Puttinu Cares Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(11,851)	9,299
The Convenience Shop (Management) Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	1,337,345	1,042,453
Gbake Retail Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(59,799)	1,166
Gbake Manufacturing Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	36,018	9,215
Daily Retail Challenges Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(376,347)	(42,854)
Aynic & Co. Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(254,187)	(95,765)

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INVESTMENT IN ASSOCIATES

	Group			Company		
		2021	2020		2021	2020
	% shareholding	€	€	% shareholding	€	€
At cost:						
Seafront Express Limited (Note i)		-	-	50	1,688	1,688
At equity method:						
GNJ Company Limited (Note ii)	50	-	-		-	-
GNG Manufacturing Ltd (Note iii)	50	-	-		-	-
JNG Company Limited (Note iv)	50	-	-		-	-
		-	-		1,688	1,688

i. The Company through the acquisition of Seafront Express Limited owns 600 ordinary A shares with a nominal value of €1 each for a total consideration of €1,688. The Company exercises control over the associate.

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

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

iii. 600 ordinary shares with a nominal value of €1 each, fully impaired during the year under review.

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

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

In the case of GNJ Company Limited, GNG Company Limited and JNG Company Limited, 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	
	2021	2020
	€	€
Cost	6,200	5,600
Share of losses	(6,200)	(5,600)
Carrying value as at 31 December	-	-

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 year ended 31 December 2020 and 31 December 2021:

31 December 2020

Associates	Registered Office	Capital and reserves	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 2021

Associates	Registered Office	Capital and reserves	Loss for the year
Seafront Express Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(67,728)	(4,302)
JNG Company Ltd	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(161,967)	(163,167)
GNJ Company Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(460,313)	(123,858)
GNG Manufacturing Ltd (Note i)	37, Triq Dun Mikiel Xerri, Attard, Malta	60,958	-

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 RECIEVABLE

	Company	
	2021	2020
	€	€
Loan to subsidiary	4,680,956	4,460,317

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 year amounted to €318,500 (2020: €318,500).

18. INVENTORIES

	Group	
	2021	2020
	€	€
Fast moving consumer goods	2,748,259	2,528,290
Shop fittings	28,833	-
Stock Provision	(79,833)	(58,000)
	2,697,259	2,470,290

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade receivables	997,574	816,299	-	-
Amounts owed by subsidiaries	-	3,872	2,487,653	3,249,744
Prepayments	318,623	73,826	8,845	925
VAT receivable	14,825	210,289	-	3,782
Other receivables	1,713,606	1,213,248	-	-
Term deposit	-	108,362	-	-
Deposits	-	160,687	-	-
Dividends receivable	-	-	455,519	100,000
Amounts owed by related parties	219,956	482,063	-	-
Amounts owed by an associate	415,328	77,418	-	-
Accrued income	9,890	217,308	-	-
	3,689,802	3,363,372	2,952,017	3,354,451

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	
	2021	2020
	€	€
Authorised		
70,000 ordinary shares of €1 each	**70,000**	70,000
Issued and fully paid up		
70,000 ordinary shares of €1 each	**70,000**	70,000

21. INTEREST - BEARING LOANS AND BORROWINGS

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Non-current				
Bank loan (Note i)	**1,008,024**	849,980	-	-
Bonds payable (Note iii)	**4,995,258**	4,994,719	**4,995,258**	4,994,719
Loans payable to shareholders (Note ii)	**4,093,243**	-	**4,093,243**	-
Amounts owed to third parties (Note iv)	**196,400**	-	-	-
	10,292,925	5,844,699	**9,088,501**	4,994,719
Current				
Bank loan (Note i)	**153,350**	202,490	-	-
	153,350	202,490	-	-

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 2021 €712,406 has been utilised.

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 year 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 had a banking facility of €250,000 which was secured by a general hypothec of €250,000. The rate of interest during the year was 4.27% and the balance was fully repaid during 2021.

Gbake Retail Limited had a banking facility of €100,000 which was secured by a pledge on bank balances amounting to €40,000. The rate of interest during the year was 4.73% and the balance was fully repaid during 2021.

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).

On 31 December 2021, JIN Limited has assigned the amount due from The Convenience Shop (Holding) plc to the ultimate shareholders. This balance, together with an amount due to the ultimate shareholders amounting to €400,007, was classified as long-term and with effect from 1 January 2022 interest shall be charged on the unpaid principal balance at a rate of 3% per annum. The principal amount payable is subject to a 12-month moratorium period until 31 December 2022.

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.

iv. Amounts due to third parties are payable at the discretion of the Group within eight years from the agreement date, however the Group has no intention to effect any payment within the next 12 months from the date of the statement of financial position. During the year under review, the balance due was consequently reclassified from current to non-current.

22. DIVIDENDS

	Group and Company	
	2021	2020
	€	€
Gross of income tax		
Ordinary shares dividend	**460,000**	1,384,615
Net of income tax		
Ordinary shares dividend	**299,000**	900,000
Net dividend per share	**4.27**	12.85

NOTES TO THE FINANCIAL STATEMENTS – continued

23. LEASE LIABILITIES

	Group	
	2021	2020
	€	€
Gross lease payments		
Due after more than five years	9,296,604	9,374,049
Due after one year but within five years	4,738,640	4,490,611
Due within one year	1,142,914	1,090,411
	15,178,158	14,955,071
Discounting	(4,849,307)	(4,910,545)
	10,328,851	10,044,526

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

	Group	
	2021	2020
	€	€
Opening balance	10,044,526	7,456,441
Additions	993,980	3,288,649
Release of terminated lease	(157,538)	(191,504)
Interest	527,142	475,435
Lease payments	(1,079,259)	(984,495)
	10,328,851	10,044,526

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

	Group	
	2021	2020
	€	€
Interest expense	527,142	475,435
Depreciation expense	879,495	800,249
	1,406,637	1,275,684

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade payables – third parties	7,002,757	5,573,581	2,213	10,373
Trade payables – related parties	468,104	435,366	-	-
Amounts owed to related parties (i)	47,565	5,623,019	319,417	4,497,565
Amounts owed to shareholders (i)	75,000	300,000	75,000	300,000
VAT payables	223,210	295,312	2,982	-
Accruals	626,069	663,658	15,000	13,981
Other payables	622,138	606,270	69,270	20,500
	9,064,843	13,497,206	483,882	4,842,419

i. The amounts owed to related parties and shareholders 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	
	2021	2020	2021	2020
	€	€	€	€
Cash in hand	**170,830**	157,853	-	-
Cash at bank	**1,196,824**	907,273	**278,709**	105,865
	1,367,654	1,065,126	**278,709**	105,865
Overdrawn bank balances	**(1,814)**	-	-	-
	1,365,840	1,065,126	**278,709**	105,865

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

THE GROUP	Balance at 01.01.2020	Proceeds	Repayments	Non-cash Adjustment	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	**18,649,637**

NOTES TO THE FINANCIAL STATEMENTS – continued

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

THE GROUP	Balance at 01.01.2021	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2021
	€	€	€	€	€
Issuance of share capital	2,257,924	-	-	-	**2,257,924**
Proceeds from cash advances from Ultimate Beneficiary owner	300,000	-	(212,017)	(12,892)	**75,091**
Proceeds from interest-bearing loan	1,052,469	109,394	-	-	**1,161,863**
Bonds payable	4,994,719	-	(250,000)	250,539	**4,995,258**
Payment of lease liability	10,044,525	-	(1,220,504)	1,504,831	**10,328,852**
	18,649,637	109,394	(1,682,521)	1,742,478	**18,818,988**

THE COMPANY	Balance at 01.01.2020	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2020
	€	€	€	€	€
Issuance of share capital	50,000	2,207,924	-	-	**2,257,924**
Bonds payable	4,994,206	-	(250,000)	250,513	**4,994,719**
	5,044,206	2,207,924	(250,000)	250,513	**7,252,643**

THE COMPANY	Balance at 01.01.2021	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2021
	€	€	€	€	€
Issuance of share capital	2,257,924	-	-	-	**2,257,924**
Bonds payable	4,994,719	-	(250,000)	250,539	**4,995,258**
	7,252,643	-	(250,000)	250,539	**7,253,182**

NOTES TO THE FINANCIAL STATEMENTS – continued

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	
	2021	2020
	€	€
Income from goods and services		
Recharge of payroll and other costs to associate undertakings	45,769	47,676
Recharge of payroll and other costs to related parties	479,277	567,461
Commission income from associate undertakings	65,012	66,044
	590,058	681,181
Expenditure for goods and services		
Purchase of goods from associate undertakings	518,148	436,349
Purchase of goods from related parties	992,785	1,139,181
Purchase of services from related parties	127,365	110,497
Other recharges from related parties	134,713	12,154
Rental expenses from related parties	99,654	98,395
	1,872,665	1,796,576

	Company	
	2021	2020
	€	€
Income from goods and services		
Sale of services to subsidiaries	30,000	-
Dividend income from subsidiaries	906,154	461,538
Finance income on loans to subsidiaries	318,500	318,500
	1,254,654	780,038
Expenditure for goods and services		
Recharge of payroll from subsidiaries	28,089	-
Purchase of services from related parties	22,000	-
	50,089	-

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

NOTES TO THE FINANCIAL STATEMENTS – continued

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 year-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 year-end, there were no off-balance sheet financial assets.

At year-end, the Company's financial liabilities 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 year-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 €1,161,374 (2020: €1,052,470) 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.

NOTES TO THE FINANCIAL STATEMENTS – continued

28. FINANCIAL RISK MANAGEMENT - continued

Credit Risk - continued

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.

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.

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Cash in banks	**1,196,824**	907,273	**278,709**	105,865
Trade receivables	**997,574**	816,299	**-**	-
Loans receivable	**-**	-	**4,680,956**	4,460,317
	2,194,398	1,723,572	**4,959,665**	4,566,182

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

NOTES TO THE FINANCIAL STATEMENTS – continued

28. FINANCIAL RISK MANAGEMENT - continued

Liquidity Risk - continued

GROUP	Within 12 months	Between 1 to 5 years	More than 5 years	Total
Bonds payable (Note 21)	-	-	5,000,000	5,000,000
Bank loan (Note 21)	153,350	603,905	404,119	1,161,374
	153,350	603,905	5,404,119	6,161,374

COMPANY	Within 12 months	Between 1 to 5 years	More than 5 years	Total
Bonds payable (Note 21)	-	-	5,000,000	5,000,000

During the year under review the Group entered into a number of lease arrangements resulting in an outstanding lease liability of €10,328,851 out of which €1,142,914 is repayable within the year.

Fair value of financial instruments

As at year-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.

NOTES TO THE FINANCIAL STATEMENTS – continued

29. CONTINGENT LIABILITIES

The Company is disputing the following claim:

The Convenience Shop (Holding) plc is disputing a provisional assessment claim issued by the Value Added Tax (VAT) Department on 1st March 2022 related to Input VAT claimed on Company purchases in the tax return submitted for the period April 2019 to April 2020. Following the receipt and evaluation of such notice, the Board of Directors of The Convenience Shop (Holding) plc consider that the provisional assessment issued by the VAT Department is not valid and have requested and set a formal review with the Department.

Based on the advice received, the probability of an outflow of resources to settle the obligation is improbable. Nevertheless, in the unlikely event that the final assessment of the VAT department is ruled against The Convenience Shop (Holding) plc, the Company will appeal this decision and if unsuccessful, this would result in a liability of €37,803.08.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Directors have assessed that there is neither any significant impact nor any significant uncertainties as a result of the Coronavirus (COVID-19) pandemic and the ongoing Russia-Ukraine war. Nevertheless, the Directors will continue to monitor and assess the situation on an on-going basis, in particular, the developments of the Russia-Ukraine war to ensure the availability and safeguard affordability of products to customers.

The Convenience Shop (Holding) plc

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Company Registration Number: C 87554

* *Photography illustrated within this publication has been executed Pre-Covid19*