The Convenience Shop (Holding) plc

Annual Report
and
Consolidated Financial Statements

31 December 2022

Company Registration Number: C 87554

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GENERAL INFORMATION

Registration

The Convenience Shop (Holding) plc ("the Company") is registered in Malta as a public 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

Chairman Statement

"Our focused strategy enabled us to weather the prevailing inflationary environment …we remain highly competitive whilst retaining our focus on business growth, customer-centricity, and corporate governance."

It gives me great pleasure to present to you the annual report for the financial year 2022. This year has been particularly important for our Group as we stayed focused on our impressive growth strategy, whilst also filing our application to the MFSA for admissibility to the Official List of the Malta Stock Exchange, which was approved on 25th January 2023.

I am pleased to report that the Group has delivered strong results in 2022, despite facing challenges associated with the post-COVID recovery period exacerbated by international political turmoil, inflationary pressures and supply chain disruptions. Our focused strategy enabled us to weather the prevailing inflationary environment resulting mainly from global supply chain disruptions following the Covid pandemic and the ongoing Russia-Ukraine dispute. In spite of the effect of the foregoing, we remain highly competitive whilst retaining focus on business growth, customer-centricity, and corporate governance. Having now weathered 'the storm', we believe that we are now well-positioned to capitalise on the opportunities that lie ahead.

As a Group, we are proud to report another robust performance in 2022, with Group Turnover reaching €42.4m, an increase of 21% over the €35.2m reported last year. It is with satisfaction to note that Group EBITDA (as adjusted for IFRS 16 Leases) has increased to €4m from €3m in 2021, an impressive 33% increase. Further details on the Group's performance are provided by our CEO Martin Agius and CFO Alan Schembri in their respective reviews.

Our strong performance for the year is also evidenced by an 11% increase in customer footfall, the takeover of two outlets and the opening of six new franchise outlets in 2022, highlighting the success of our franchise concept. We have also successfully exceeded our published Financial Sustainability Forecasts year on year, a testament to our focus on operational efficiency and customer-centricity.

Considering these exceptional results and business growth, you will note that following the interim net dividend of €300k declared on 29th August 2022, the Board of Directors will also be proposing a final 2022 net dividend of €1m to the shareholders.

Our focus on growth has been complemented by our Initial Public Offering, which we launched earlier this year which in itself is a significant milestone for our Group history.

At the core of our business is a commitment to a focus on our customers' expectations complemented by a focus on affordability. In 2022, we expanded into new localities bringing the store network of The Convenience Shop up to 83 and established a partnership with COOP Italian Food S.P.A to offer affordable quality products to our customers. This partnership got off to a good start and has served to extend our product range, thus offering more products for our customers to choose from.

We believe that our employees are our most valuable asset, and in 2022, our focus was on retention and stability in the workforce, and increased efficiencies. We are pleased to report that our efforts in this area have paid off, and we continue to attract and retain top talent across the Group.

Corporate governance remains a critical focus area for us, and we have continued to strengthen our governance framework to ensure that we operate in the best interests of all our stakeholders. The employment of a full time qualified and experienced Internal Auditor reporting directly to the Audit Committee composed of independent directors and regular formal board meetings, are key elements in supporting the stated corporate governance culture. I encourage you to review our corporate governance report for further details.

Looking ahead, we are optimistic about the future and believe that there are great opportunities and exciting times ahead for our Group. A sincere thanks go to the management team ably led by our CEO Martin Agius who has worked with exemplary determination, passion, and commitment to drive the Company to new heights. I would like to take this opportunity to thank our colleagues and staff for their hard work and commitment, which have been instrumental in our success. We remain committed to delivering value to our shareholders, customers, and employees.

On a final note, a word of thanks goes to our Legal Advisors – DF Advocates, our Auditors – RSM Malta, our Financial Advisors – Deloitte Malta and our IPO Sponsor, Manager and Registrar – Calamatta Cuschieri.

Benjamin Muscat
Chairman

12 April 2023

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. 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 95 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 22 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 53 shops over a span of 14 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

Andrew Attard*	Chief Operations Officer
Adrian Zammit	Chief Technology Officer
Martin Agius	Chief Executive Officer
John Muscat Drago	Chief People Officer
Sharon Sammut	Chief Commercial Officer
Alan Schembri	Chief Finance Officer

**As per Company Announcement CVS 59, dated 3rd April 2023, Andrew Attard has been assigned the role of Executive Assistant to the Executive Directors and Jonathan Smith has assumed the role of Chief Operations Officer in his stead.*

Chief Executive Review

"We will continue to focus on our strategic enablers through, our forensic approach to retail, innovative store formats, low-cost operations and high-performing teams."

2022 was a momentous year for the Convenience Shop Group. Guided by our vision to be Malta's retailer of choice in the convenience sector by providing a modern, reliable and customer-centric experience to our shoppers, our strategic priorities focused on increasing retail space growth and the Average Transaction Value (ATV) whilst simultaneously widening our category development and keeping rigorous control on cost and cash management. This aligns perfectly with our mission to make daily life easier for our customers through proximity, availability, and our caring team.

As our Chairman stated, despite operating within recovering post-COVID-19 economy, our Group has continued with its strategic trajectory of strong growth focused on delivering results. It is with satisfaction to note that Group EBITDA (as adjusted for IFRS 16 Leases) has increased by €1m in 2022, signifying an impressive 33% increase, whilst noting that total Revenue, including both owned and franchise outlets, has increased by 18% to €74.5m when compared to €63.3m reported last year.

These significant achievements would not have been possible without the support of our dedicated people who are the Company's primary driving force in the successful delivery of results. The expansion of our franchise network momentum, together with higher customer reachability has also significantly contributed to this year's strong financial performance.

Overview

Business Growth

In 2022, our key focus areas were to maintain our strong financial position and to strategically grow the business. We successfully entered into a partnership with COOP Italian Food S.P.A, which allowed us to offer affordable quality products to our customers despite the inflationary economic backdrop we operate in.

coop ITALIAN PRODUCTS

Our latest milestone was the recent IPO offering marking the evolution of The Convenience Shop (Holding) p.l.c. as a publicly listed company with shareholding on the Regulated Main Market. I would like to thank the investor community for the positive feedback and enthusiastic uptake of the offering.

In terms of outlets, we have fuelled our franchise outlet network with the opening of seven shops in 2022 bringing the current network to 83 stores as of 31 December 2022 across 48 localities as of 31 December 2022 in Malta.

	2020	2021	2022
Outlets	70	76	83
Localities	39	43	48

CHIEF EXECUTIVE REVIEW - continued

In line with our strategic vision, we are seeking to expand our presence in key areas of economic interest and consumer appetite and win new business through key acquisitions.

The Group has refined its strategy for new business acquisitions by seeking already established grocery stores with specific area dimensions allowing the capture of new shopper occasions. This approach reduces the risk of setting up a new store (which may underperform) and allows the Group to realise better own-store margins due to the economies of scale of operating a larger shop. The Group has been experiencing an increase in demand from existing grocery store owners/operators who wish to join The Convenience Shop Franchise network. Such operators are increasingly recognising the value added brought about by the Group's strong franchisee offering.

Enhancing Relationships

From a supplier's perspective, we continue to enhance and strengthen our relationships across the board by simplifying processes and enhancing our supplier web portal capabilities to increase efficiencies and streamline our commercial processes allowing for an efficient and nimble supply chain. We have also strengthened human resources capabilities within the Product management team so to ensure that whilst we remain close to our local suppliers, we remain highly competitive with our product selection.

Optimising Revenue Opportunities

Our sustained efforts to increase the customer average transaction value, yielded good results as reflected in the Group's increase in turnover. Significant headways have been made to position the brand as a relevant destination for bakery, fruit and vegetables, detergents, personal care and pet-related goods transforming The Convenience Shop outlets into an even more holistic and seamless shopping experience.

Our goal is to shift The Convenience Shop's customer perception from an impulse destination to a regular top-up shopping destination. We are seeking to fulfil this shift through a threefold approach.

- Firstly, by improving our in-store category management making the shopping experience within our stores a seamless one;
- Secondly by featuring an ever wider, affordable, and high-quality product offering and thus optimising the franchise revenue generated from over 11.1 million annual customers visit; and
- Thirdly, by further expanding our franchise in more localities.

We have invested in state-of-the-art refrigeration equipment, air conditioning, shop shelving and fittings and other machinery necessary to fully equip our outlets. We also made significant investments in IT Software and Security to harness their full potential to our benefit.

Our continued forensic approach to retail through intelligent space management, in-store execution and tight cost controls has resulted in industry-leading returns as reflected in our 51% increase in operating profit in 2022.

Operating Profit

2022	€3,038,003	51%
2021	€2,006,069	71%
2020	€1,175,284	

CHIEF EXECUTIVE REVIEW - continued

Driving efficiencies and performance

I am pleased to report that 2022 has been another strong year for the Group, keeping our momentum forward from last year's reported growth. Our financial and non-financial metrics that allow us to gauge our performance against our budget were successfully met, and exceeded in 2022.

Our Key Performance Indicators (KPIs) will be expanded further in the Financial Review by our Chief Financial Officer, Alan Schembri.

Key to this success is the introduction of further controls on our margins, labour cost as well as tighter controls on our stock management as well as the continuous investment for growth and increased productivity and efficiencies in our operation. This has allowed us to maintain a strong balance sheet whilst being disciplined in controlling costs.

Returns to our Shareholders

In terms of dividend, the Board of Directors implemented a dividend policy recommending a dividend distribution of 55% of the recurring free cash flow on an annual basis, subject to statutory requirements and availability of profits for distribution.

In this regard, our strong results are evidenced through the increase in dividends declared compared to the previous year with €1m being proposed by the Board of Directors as net final dividend for 2022, a 208% increase in final net dividend compared to the prior year.

Our People

Our people remain one of our key strategic enablers and our values remain centered around being an employer of choice, attracting and retaining the right talent through respect, development, and recognition. It is with a note of satisfaction to report that our employee base also grew by 5%, with a balanced gender representation spanning across several nationalities.

Our Human Resources strategy is embedded in positioning ourselves as an attractive and viable career path for outside talent whilst fuelling the progression, ambition and aspirations of our people. As firm believers in the ethos of continuous training and self-improving, we strive to invest on an ongoing basis in significant training and skill development for all our employees.

As mentioned by our Chairman, their unwavering loyalty to the Company and commitment to customer satisfaction are key pillars of our success. Allow me to extend my appreciation and gratitude on your behalf.

Environmental, Social, and Corporate Governance

As a responsible corporate entity, we are committed to corporate sustainability and creating long-term value through the implementation of specific projects that have environmental, social and corporate governance aspects at heart. We are continuously working towards replacing inefficient equipment in outlets with more modern industry standard equipment allowing us to reduce our energy consumption.

Our relationships with suppliers, employees, customers, and communities remained strong, and all our actions are governed by sound corporate governance practices. In 2022, the Group has donated over €90k to charitable institutions.

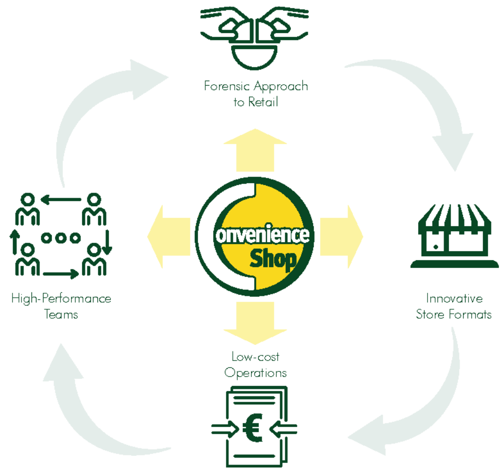
CHIEF EXECUTIVE REVIEW - continued

Outlook

2022 has been a successful year for the Group and we enter the new financial year in the strongest-ever position as the retailer of choice in the convenience sector, with multiple growth opportunities across Malta and Gozo.

We will continue to focus on our strategic enablers through:

- our forensic approach to retail;
- innovative store formats;
- low-cost operations; and
- high-performing teams.



We remain committed to continue expanding our store network where we plan to open an additional 2 owned stores (including our flagship Head Office outlet) in 2023 as well as an additional 7 new franchised stores, bringing the current network to 92 stores across 54 localities in Malta. Our goal is to continue focusing on key growth locations and economically populated areas, optimize our proximity to our customers, increase the cash revenue per customer transaction, and expand our product offering to new market-driven categories. In line with our strategic vision, we will continue to seek and expand our presence in key areas of economic interest and consumer appetite and win new business through key acquisitions.

	2020	2021	2022	2023
Outlets	70	76	83	92
Localities	39	43	48	54

Looking ahead, our focused strategy will continue to be shopper-centric, with a focus on staff retention, stability and increased efficiency. Our partnership with COOP will allow us to offer affordable products, while our optimization of footfall and promotion effectiveness will enhance customer experience and expenditure. We plan to reinforce our position in the bakery market and become a destination for fruit and vegetables, pet, and detergents. We also aim to further enhance our online business and further develop our franchise network.

Our strategic priorities remain centered around our customers and our people. We aspire to be the retailer of choice in the local convenience sector by providing a modern, reliable, and customer-centric experience to our shoppers. To achieve this, we will continue to focus on growing the business, average transaction growth, category development, and cost and cash management.

CHIEF EXECUTIVE REVIEW - continued

Innovative Store Formats

We plan to maintain and increase our profitability and cash generation, by capturing new shopper occasions. Through the collaboration with National Lottery, we will be offering our shoppers the opportunity to purchases National Lottery instant scratch card products via the Convenience Shop network. In order to continue enhancing the shopper experience, this coming year, we have an extensive investment programme and expect capex to be around €1.8m. We continue to invest in state-of-the-art refrigeration equipment, air conditioning, shop shelving and fittings and other machinery necessary to fully equip our outlets.

New Flagship Head Offices

To further fuel our growth, it is with distinct pleasure that I announce our transition towards a new state-of-the-art head office strategically located in Qormi. Spanning over an area of 1,350 sq metres, the new head office will house a modern 450 sq metres office space, 360 sq metres dedicated to a new The Convenience Shop retail outlet, 90 sq metres for a refreshing family-friendly food court and stylish cafeteria, as well as 450 sq metres reserved for other supporting facilities. In line with our corporate social responsibility and industry best practices, the new head offices will feature high-end solar panels, water efficiency systems, window screening and airflow ventilation. Keeping in mind quality-of-life improvements, both for our people and visiting patrons, the project will include a spacious garden with mature ingenious trees, an outside area, offices which will be pet-friendly for the employees and parking facilities for convenience and accessibility whilst reducing parking burdens to the surrounding area.

Besides serving as a new The Convenience Shop retail shop for the locality, the outlet will also double up as an academy and training centre for the Group's employee base. In our new state-of-the-art academy and training outlet centre our new recruits will be trained in various aspects including shop management, customer service and food handling. The academy, which includes a multifunction room for holistic teaching, will be led by local and internationally qualified trainers and best-in-class international standards. The whole project is expected to be completed and ready for occupancy by September 2023, and as a Group we look forward to be moving into this new chapter.

Whilst we retain our commitment to attracting, retaining, and developing the best talent, we will also remain socially responsible, minimizing our impact on the planet, engaging our people, and actively contributing to communities.

In conclusion, we are excited about the future and the opportunities that lie ahead. We are committed to delivering sustainable returns, focused capital allocation, and shareholder returns. We believe that our strategic priorities, enablers, and values will position us as Malta's number one daily needs retailer and the retailer of choice in the local convenience sector.

Martin Agius
Chief Executive Officer

Chief Finance Officer Financial Review

"Achieving the €4m EBITDA as well as consistently exceeding our FSF budget is a significant milestone for The Convenience Shop Group."

Total Group revenue in 2022 increased by 21% from the previous year to €42.4m mainly as a result of a 19% increase in outlet sales and growth in fees, commissions and other revenue. The growth in shop revenue is mainly attributable to the full year 2022 operation of two owned shops opened in July 2021 as well as an increased customer footfall and spend in our outlets. The Group also reinforced the growth of the well-established franchise concept by opening 6 additional new franchise outlets in 2022.

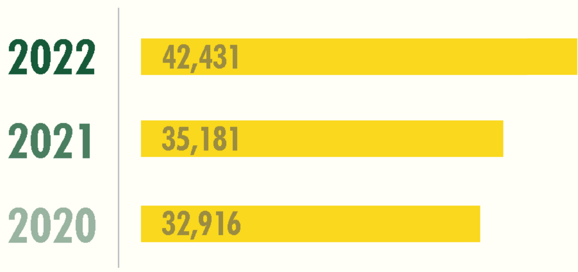
Gross profit as a percentage of sales increased by 1.3 percentage points over last year to 14.3% as a result of improved in-store category management, our acquisition strategy and improved commercial agreements.

In 2022, the Group realised a staggering €1m or 51% increase in Operating profit over the previous year, as a result of efficient cost control measures which ensured effective control on labour costs and administrative expenses, leading to a better contribution to the Group's fixed costs.

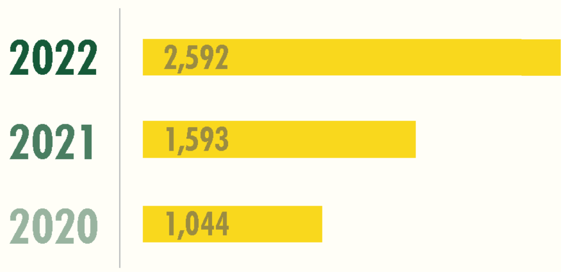
This positive overall performance in 2022, yielded an increase of €1m or 63% in Profit before tax (PBT), increasing from €1.6m in 2021 to €2.6m in 2022. Earnings before interest, taxes, depreciation, and amortization (EBITDA) adjusted for IFRS 16 Leases, also increased by an astounding 33% from €3m in 2021 to €4m in 2022. PBT includes a one-off gain on disposal of subsidiaries representing unrecognised goodwill at date of acquisition by the Group, back in 2018.

Achieving the €4m EBITDA as well as consistently exceeding our FSF budget is a significant milestone for The Convenience Shop Group as it reinforces the successful implementation of the Group's vision as noted previously by our CEO.

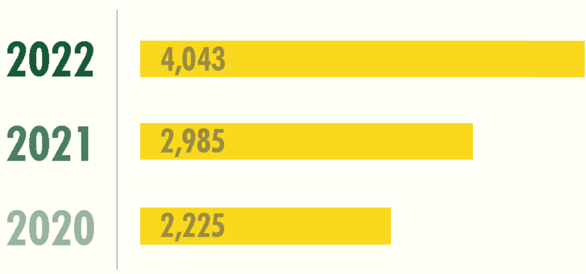
GROUP TURNOVER (€'000)



GROUP PBT (€'000)



GROUP EBITDA - adjusted for IFRS16 (€'000)



CHIEF FINANCE OFFICER REVIEW - continued

During 2022, the Group generated a total net cash from operations of €3.5m, being €788k higher than prior year. Following a year of heavy investment in 2021, the Group has again invested €810k in the purchase of furniture, plant and equipment as well as intangible assets related to the acquisition of new outlets. Financing related cash outflows were mainly related to payments of lease liabilities of €1.2m, dividends paid amounting to €625k, interest payments of €441k and bank loan repayments of €141k. The Group continues to maintain its strong balance sheet with total assets amounting to €33.6m. Current liquid assets remained at €7.7m in line with last year, mainly comprising of stock for resale amounting to €3.2m, trade and other receivables of €3.4m and cash and cash equivalents of €1.2m. Current liabilities decreased by 7% from €11.3m to €10.6m primarily due to the full settlement of tax balance from the Covid era and tight control on supplier credit terms. This helped improve the Group's liquidity or current ratio by 4.6 percentage points over last year.

€3.5m	€810k	€625k
Net Cash from Operations	Cash re-invested in Capital Expenditure	Dividend Payments in 2022

€33.6m	4.6 Percentage Points
Group Total Assets	Current Ratio Improvement

On 16th November 2022, during an extraordinary general meeting of The Convenience Shop (Holding) plc, the shareholders resolved to change the nominal value of the shares from one Euro (€1.00) per share to sixteen Euro cents (€0.16) per share and to increase the authorised share capital to €100m divided into 625m ordinary shares having a nominal value of €0.16 each. It was also resolved to capitalise the sum of €2.2m balance of the share premium account prior to capitalisation as well as capitalise €3.2m shareholder loan balances. Equity includes share capital and premium, as well as any retained earnings after the distribution of dividends. Pursuant to the above, the issued share capital of the Company was increased to €4.8m and share premium after capitalisation amounted to €729k. The Group's equity position has increased from €3.1m as at 31 December 2021 to €7.6m as at 31 December 2022.

Group long-term liabilities decreased by 23% from €20.1m in 2021 to €15.4m in 2022, with the major decreases pertaining to the capitalisation of €3.2m shareholders loans into equity and the repayment of bank loans and lease liabilities. Such a significant decrease in borrowings paired with a stronger capital base has improved the Group's net gearing ratio from 69% last year (adjusted for shareholder loans as part of equity) to 61% at end of 2022, enhancing the Group's financial leverage.

Alan Schembri
Chief Finance Officer

The Convenience Shop (Holding) plc
DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

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)
- 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.

Restructuring and IPO
On the 14 November 2022, The Convenience Shop (Holding) p.l.c. sold its entire shareholding in Gbake Manufacturing Limited (C 60422) and in Gbake Retail Limited (C 60421) to Coron Holdings Limited (C 90462).

On 1 February 2023, The Convenience Shop (Holding) p.l.c issued an offer of 7,700,000 ordinary shares of a nominal value of €0.16 each at an issue price of €0.97 per share, representing 25% of the Company's share capital. The Shares were issued to the public in accordance with the requirements of the Companies Act and the Capital Markets Rules of the Malta Financial Services Authority. The Shares are expected to be admitted to the official list of the Malta Stock Exchange on 27 April 2023 and trading is expected to commence on 28 April 2023.

Principal activities
The principal activity of the Group is to operate and franchise grocery stores in the fast-moving consumer goods ('FMCG') industry. Through its subsidiaries, the Company manages a chain of retail outlets under The Convenience Shop brand in various locations across Malta with a current shop count of 40 owned shops and 43 franchised shops as at 31 December 2022. The Group through another subsidiary also enters into franchise agreements with franchisees, thereby granting the right to use and operate under 'The Convenience Shop' brand.

Review of the business trading performance
The Group experienced another strong and successful year in 2022. Group turnover for 2022 reached €42.4 million, representing a growth of 21% over the previous year.

The Group registered a strong financial performance with a profit before tax of €2.6 million for the year ending 31 December 2022, a 63% increase over the previous year, and a gross profit of €6 million, a 32% increase over the previous year (year ending 31 December 2021 - €1.6 million and €4.6 million respectively). Group EBITDA adjusted for the impact of IFRS 16 Leases, amounted to €4 million, a 33% increase over the previous year (year ending 31 December 2021 - €3 million).

When comparing these results with the Forecast as submitted through the Company Announcement CVS41 on 27th April 2022, the Group has successfully achieved and exceeded such forecasts. Profit before tax was €507k higher than Forecast. This is mainly attributable to the contribution from the opening of new outlets, growth in franchise

DIRECTORS' REPORT - continued

Review of the business trading performance - continued

income, improved online business and savings in operating costs, as well as the one time gain from the disposal of two subsidiaries in 2022.

In 2022, the Group secured an exclusive partnership with COOP Italian Food S.P.A for the exclusive importation and distribution of COOP Italian products, giving the Group the opportunity to offer a wider range of products to customers. This collaboration with COOP Italian Food S.P.A emphasizes the Group's commitment towards delivering quality and affordability to customers given the current inflationary economic background.

In addition to its store network strategy which seeks to improve customer proximity, 2022 also saw the Group focusing on expanding in-store product offering with the aim of becoming a relevant destination for bakery, fruit and vegetables, detergents, personal care and pet- related products.

We value the work ethic and determination of all our employees who are all proof that hard work and dedication pays off. As a Group, we truly appreciate every person on our team and their contentment is of great importance to us. The Directors would like to extend the utmost gratitude to all employees. The success that the Group is experiencing would not be possible without their contribution.

Financial Position

The Group's total assets as at 31 December 2022 amounted to €33.6 million (as at 31 December 2021 - €34.5 million).

In terms of liquidity, the Group remains highly liquid as cash and cash equivalents as at 31 December 2022 amounted to €1.2 million (as at 31 December 2021 - €1.4 million). The Group registered a 29% increase in cash flow from operating activities over the previous year.

The Group's current liabilities have decreased by 7% resulting in a 4.6 percentage points 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 and net of cash and cash equivalents) amounted to €4.6 million (as at 31 December 2021 - €5 million excluding shareholders' loans). Total equity of the Group amounted to €7.7 million (as at 31 December 2021 - €3.1 million).

Investments

The Group continued renovating outlets and investing in energy efficient equipment to ensure that whilst outlets reduce their electricity consumption, the look and feel of the outlets is consistently of excellent quality across the entire store network.

In 2022, the Group invested around €600k in improvements to premises, plant and machinery and office equipment including significant investment in IT software and security as well as new refrigeration equipment.

This reflects the ongoing commitment of the Group to continuously innovate and invest in the modernization and security of its infrastructure.

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 29 to the financial statements.

Outlook for 2023 and events subsequent to the financial reporting date

The Group's strategy moving forward is aligned with The Convenience Shop's vision to be the retailer of choice in the local convenience sector by ensuring that a modern, reliable customer centric experience is always provided. We will specifically focus on improving customer experience through better category management as well as expanding product offerings to new categories.

The Group remains committed on serving its customers and 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 employees.

Given the business growth, in 2023 the Group will be investing in a new HR system to consolidate a single platform which manages employee

DIRECTORS' REPORT - continued

Outlook for 2023 and events subsequent to the financial reporting date - continued

data, hiring and onboarding as well as enhance employee experience and performance.

As part of the Group's commitment to increase operational efficiencies, in 2023, the Group will also be introducing paperless contracting through DocuSign integration in The Convenience Shop web portal. This will enhance and streamline its relationship with suppliers and is in line with the Group's efforts towards reducing our carbon footprint.

In September 2023, The Convenience Shop Group will be moving to its new flagship head office in Qormi. Spanning over an area of 1,350 square meters, the new headquarters will house a modern 450 square meter office space as well as a new retail outlet, a family friendly food court and cafeteria.

Looking ahead, 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.

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 Generally Accepted Accounting Principles as defined in the Companies Act (Cap 386) and the provisions of the Act.
- 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;
- report comparative figures corresponding to those of the previous accounting period; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, Cap. 386.

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

The financial statements of The Convenience Shop (Holding) plc for the year ended 31 December 2022 are included in the Annual Report 2022, 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 2022, 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

DIRECTORS' REPORT - continued

Statement of directors' responsibilities for the financial statements - continued

- 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 €325,000 was paid out of prior year profits. The Board declared an interim net dividend of €300,000 on 29 August 2022. The Board is proposing the payment of a final net dividend of €1 million, for consideration at the forthcoming Annual General Meeting.

Events after the end of the reporting period

There are no events after the end of the reporting period which require mention in this report, other than the issue of shares to the public as disclosed in the 'Restructuring and IPO' section of this report.

Going concern

As at 31 December 2022, total assets exceeded total liabilities by €7.7 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 ending 31 December 2022 and events occurring after the Statement of Financial Position date.

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 12 April 2023 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 judgement and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - continued

General – continued

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

The Chairman is also responsible for ensuring effective communication with shareholders and ensuring active engagement by all members of the Board for discussion of complex or contentious issues.

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

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

Principle Three: Composition of the Board

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

The Board of Directors consists of the following:

- 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

During the year, the Company Secretary was Dr. Richard Deschrijver.

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. The Audit Committee met seven times during the year. All members were present for all meetings.

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 seven times during the financial year under review.

The following Directors attended Board meetings as follows:

	Number of Meetings
Benjamin Muscast *Chairman/Non-executive Director*	7 out of 7
Charles Scerri *Non-executive Director*	7 out of 7
Kevin Deguara *Non-executive Director*	7 out of 7
Joseph Pace *Director*	7 out of 7
Ivan Calleja *Director*	7 out of 7
Manuel Piscopo *Director*	7 out of 7

Principle Six: Information and Professional Development

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

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

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

The Board has access to the advice and services of the company secretary who is responsible for ensuring that board procedures are complied with,

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - continued

General – continued

Principle Six: Information and Professional Development- continued

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 twenty (20) Company announcements issued to the market.

The Company's website (https://www.theconvenienceshop.com/investor-information/) also contains information about the Company and its business which is a source of further information 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).

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE - continued

General – continued

Principle Twelve: Corporate Social Responsibility

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

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

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

In 2022 the Group continued exercising its commitment in supporting several NGOs including the Malta Community Chest Fund, The Malta Trust Foundation, ALS Malta, Caritas, Missio and Dar Tal Providenza. 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:

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.

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 12 April 2023 and signed on its behalf by:

Benjamin Muscat
Chairman

Ivan Calleja
Executive Director

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INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of The Convenience Shop (Holding) plc ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 32 - 66, which comprise the statements of financial position as at 31 December 2022, 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 2022, 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 ("ISA"). 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 Group 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 2022 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.

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, suppliers' agreements and intellectual property are carried at €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 years.

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 40 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 2022, the Group's inventories amounted to €3.2 million, while revenue amounted to €42.4 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.

Report on the Audit of the Financial Statements - continued

Key Audit Matters - continued

Inventory and sale of goods - continued

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

Other Information

The directors are responsible for the other information. The other information comprises the general information, the chairman statement, 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, chief executive review, chief finance officer financial review, 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, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of the Group's and the Company.

RSM

Report on the Audit of the Financial Statements - continued

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:

- 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.

Report on the Audit of the Financial Statements - continued

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The Prospects MTF Rules require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Prospects MTF Rules also require the auditor to include a 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

Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual 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 in this regard.

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 four financial years.

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

RSM Malta
Registered Auditors

12 April 2023

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
		2022	2021	2022	2021
	Note	€	€	€	€
Revenue	5	42,430,703	35,181,033	1,822,382	906,154
Cost of sales		(36,367,008)	(30,603,893)	-	-
Gross profit		6,063,695	4,577,140	1,822,382	906,154
Administrative expenses		(3,025,692)	(2,571,071)	(217,065)	(94,862)
Operating profit	6	3,038,003	2,006,069	1,605,317	811,292
Other income	8	396,116	432,731	60,000	30,000
Finance cost	9	(972,455)	(845,726)	(353,589)	(250,992)
Finance income	10	-	127	318,500	318,500
Gain on disposal of subsidiaries		130,596	-	56,903	-
Profit before tax		2,592,260	1,593,201	1,687,131	908,800
Tax	11	(672,474)	(746,399)	(376,923)	(351,283)
Profit for the financial year		1,919,786	846,802	1,310,208	557,517
Total comprehensive income for the year		1,919,786	846,802	1,310,208	557,517
Total comprehensive income for the year is attributable to:					
Non-controlling interest		32,085	(14,330)	-	-
Owners of the Company		1,887,701	861,132	1,310,208	557,517
Earnings per share	23	2.90	12.10	1.98	7.96

STATEMENT OF FINANCIAL POSITION

As at 31 December

		Group		Company	
		2022	2021	2022	2021
	Note	€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	12	3,623,805	3,822,900	-	-
Intangible assets	13	13,466,508	13,491,351	4,000,000	4,000,000
Right-of-use asset	14	8,789,274	9,450,140	-	-
Investment in subsidiaries	15	-	-	171,347	287,797
Investment in associates	16	-	-	1,688	1,688
Loans receivable	17	-	-	3,889,000	4,680,956
		25,879,587	26,764,391	8,062,035	8,970,441
Current assets					
Inventories	18	3,160,035	2,697,259	-	-
Trade and other receivables	19	3,366,161	3,689,802	3,711,920	2,952,017
Cash and cash equivalents	26	1,211,241	1,367,654	4,730	278,709
Current tax receivable		-	-	16,283	-
		7,737,437	7,754,715	3,732,933	3,230,726
TOTAL ASSETS		33,617,024	34,519,106	11,794,968	12,201,167
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	4,768,000	70,000	4,768,000	70,000
Share premium		729,087	2,187,924	729,087	2,187,924
Retained earnings		2,190,175	927,474	1,016,602	331,394
		7,687,262	3,185,398	6,513,689	2,589,318
Non-controlling interest		(26,486)	(58,571)	-	-
TOTAL EQUITY		7,660,776	3,126,827	6,513,689	2,589,318
Non-current liabilities					
Interest – bearing loans and borrowings	21	5,706,484	10,292,925	4,824,262	9,088,501
Lease liability	24	9,168,582	9,696,003	-	-
Trade and other payables	25	352,268	-		
Deferred tax liability	11	155,842	91,480	-	-
		15,383,176	20,080,408	4,824,262	9,088,501
Current liabilities					
Current tax payable		152,635	1,459,016	-	39,465
Interest – bearing loans and borrowings	21	138,490	153,350	-	-
Bank overdraft	26	9,941	1,814	-	-
Lease liability	24	740,677	632,848	-	-
Trade and other payables	25	9,531,329	9,064,843	457,017	483,882
		10,573,072	11,311,871	457,017	523,347
TOTAL LIABILITIES		25,956,248	31,392,279	5,281,279	9,611,848
TOTAL EQUITY AND LIABILITIES		33,617,024	34,519,106	11,794,968	12,201,167

The financial statements on pages 32 to 66 have been authorised for issue by the Board of Directors on 12 April 2023 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 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 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
Financial year ended 31 December 2022						
Balance at 01 January 2022		70,000	2,187,924	927,474	(58,571)	3,126,827
Issuance of share capital		4,698,000	(1,458,837)	-	-	3,239,163
Total comprehensive income for the year						
- *Profit for the financial year*		-	-	1,887,701	32,085	1,919,786
Dividends paid	22	-	-	(625,000)	-	(625,000)
Balance at 31 December 2022		4,768,000	729,087	2,190,175	(26,486)	7,660,776

THE COMPANY	Note	Share Capital €	Share Premium €	Retained earnings €	Total €
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
Financial year ended 31 December 2022					
Balance at 01 January 2022		70,000	2,187,924	331,394	2,589,318
Issuance of share capital		4,698,000	(1,458,837)	-	3,239,163
Total comprehensive income for the year					
- *Profit for the financial year*		-	-	1,310,208	1,310,208
Dividends paid	22	-	-	(625,000)	(625,000)
Balance at 31 December 2022		4,768,000	729,087	1,016,602	6,513,689

STATEMENT OF CASH FLOWS

		Group		Company	
		2022	2021	2022	2021
	Note	€	€	€	€
Cash flows from operating activities					
Receipts from customers		41,877,088	34,605,682	-	-
Payments to suppliers and employees		(36,810,834)	(31,618,921)	(376,060)	(359,156)
Other revenue		396,115	432,731	1,444,329	1,655,666
Income tax paid		(1,914,493)	(659,196)	(416,388)	(353,997)
Net cash flows from operating activities		3,547,876	2,760,296	651,881	942,513
Cash flows from investing activities					
Acquisition of property, plant and equipment		(588,024)	(798,450)	-	-
Acquisition of intangible assets		(221,529)	(63,715)	-	-
Disposal of Subsidiary net of cash disposed of		(10,389)	-	-	-
Repayment of / Advances to subsidiary		-	-	546,956	(220,669)
Net cash flows (used in) / generated from investing activities		(819,942)	(862,165)	546,956	(220,669)
Cash flows from financing activities:					
Repayments of / net proceeds from interest-bearing loans		(140,662)	108,904	-	-
Repayment of Advances from shareholders		(494,227)	0	(494,227)	-
Payment of lease liability		(1,191,759)	(1,079,259)	-	-
Interest on borrowings		(190,826)	(78,062)	(103,589)	-
Interest on bond		(250,000)	(250,000)	(250,000)	(250,000)
Dividends paid		(625,000)	(299,000)	(625,000)	(299,000)
Net cash flows used in financing activities		(2,892,474)	(1,597,417)	(1,472,816)	(549,000)
Net cash (decrease) / increase in cash and cash equivalents		(164,540)	300,714	(273,979)	172,844
Cash and cash equivalents at beginning of year		1,365,840	1,065,126	278,709	105,865
Cash and cash equivalents at end of year	26	1,201,300	1,365,840	4,730	278,709

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.

These financial statements include the results of the Group, together with those of the Company, for the year ended 31 December 2022.

2. BASIS OF MEASUREMENT AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with 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

At the end of the reporting period, certain new or revised standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. 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, cash flows and revenues and expenses of The Convenience Shop (Holding) plc and its 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	20
Motor Vehicles	20

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

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

Goodwill and suppliers' agreements

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

Key money

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

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

Intellectual Property

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

Investment in subsidiaries

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

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

Investment in associates

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in associates - continued

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. 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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments - continued

Impairment of financial assets

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

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

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

Financial liabilities

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

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

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

Financial liabilities at amortised cost

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

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

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

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

Offsetting of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

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

Equity

Ordinary shares

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

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

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

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

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

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

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

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial 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	
	2022	2021	2022	2021
	€	€	€	€
Dividend income	-	-	1,076,923	906,154
Royalty fee income	-	-	745,459	
Sale of goods	38,407,706	32,261,191	-	-
Fees, commissions and other revenue	4,022,997	2,919,842	-	-
	42,430,703	35,181,033	1,822,382	906,154

NOTES TO THE FINANCIAL STATEMENTS – continued

6. OPERATING PROFIT

The operating profit is stated after charging:

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Staff costs (Note 7)	4,878,521	4,337,792	58,628	24,089
Directors' remuneration	267,733	313,848	24,318	22,040
Auditors' remuneration	36,538	27,000	12,500	8,000
Tax compliance services	3,100	5,100	600	600
Depreciation of property, plant and equipment (Note 12)	715,756	673,152	-	-
Depreciation of right of use asset (Note 14)	951,932	903,885	-	-
Amortisation of intangible assets (Note 13)	132,640	47,822	-	-

7. STAFF COSTS

Staff costs incurred during the year were as follows:

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Salaries and wages	4,594,900	4,063,987	56,209	24,089
Social security costs	274,433	265,163	2,349	-
Maternity fund contribution	9,188	8,642	70	-
	4,878,521	4,337,792	58,628	24,089

The average number of persons employed by the Group and Company during the year were 241 and 1 respectively (2021: 230 employees for Group and 1 employee for Company).

8. OTHER INCOME

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Commission income	55,133	77,594	-	-
Rental income	219,261	199,084	-	-
Government grants	3,751	3,184	-	-
Other income	117,971	152,869	-	-
Management fee	-	-	60,000	30,000
	396,116	432,731	60,000	30,000

NOTES TO THE FINANCIAL STATEMENTS – continued

9. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Interest expense on bonds payable (Note 21)	250,000	250,000	250,000	250,000
Interest expense on bank loan (Note 21)	45,801	53,871	-	453
Interest expense on shareholders loan (Note 21)	103,589	-	103,589	-
Interest expense on lease liability (Note 24)	531,629	517,664	-	-
Other interest and financing expense	41,436	24,191	-	539
	972,455	845,726	353,589	250,992

10. FINANCE INCOME

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Interest income from bank	-	127	-	-
Interest income from loans receivable (Note 17)	-	-	318,500	318,500
	-	127	318,500	318,500

11. TAX

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Current tax charge	608,112	685,058	376,923	351,283
Deferred tax credit	64,362	61,341	-	-
	672,474	746,399	376,923	351,283

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	
	2022	2021	2022	2021
	€	€	€	€
Profit before tax	2,592,260	1,593,201	1,687,131	908,800
Theoretical tax credit at 35%	907,291	557,620	590,496	318,080
Non-deductible expenses	243,303	326,736	13,231	33,203
Income at different tax rate	-	(25)	-	-
IP Amortisation Tax benefit	(280,000)	-	(280,000)	-
Difference between tax base and carrying amounts of property, plant and equipment	4,686	-	-	-
Absorbed tax losses	(13,732)	-	-	-
Temporary differences	-	52,802	-	-
Gain on disposal of Subsidiaries	-	-	(19,917)	-
(Loss) on disposal of assets	-	(3,460)	-	-
Group loss relief	(104,833)	(20,998)	73,113	-
Absorbed capital allowances	(26,085)	(202,497)	-	-
Unabsorbed capital allowances	(58,156)	29,080	-	-
Unutilised tax losses	-	7,141	-	-
	672,474	746,399	376,923	351,283

NOTES TO THE FINANCIAL STATEMENTS – continued

11. TAX - Continued

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

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
At the beginning of the year	91,480	30,139	-	-
Charged to profit or loss	64,362	61,341	-	-
	155,842	91,480	-	-

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	
	2022	2021	2022	2021
	€	€	€	€
Tax effect on temporary differences arising from:				
– Differences between tax base and carrying amounts of fixed assets	60,201	55,229	-	-
– Unabsorbed capital allowances	4,161	6,112	-	-
	64,362	61,341	-	-

As at 31 December 2022, the Group had a potential deferred tax asset of €143,899 (2021: €214,888) 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 2021	3,381,604	1,942,452	788,693	67,772	6,180,521
Additions	174,730	350,869	272,851	-	798,450
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	(1,109,524)	(825,704)	(440,351)	(37,261)	(2,412,840)
Release on disposals	5,084	2,222	2,232	-	9,538
Depreciation	(325,395)	(197,205)	(140,838)	(9,714)	(673,152)
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

THE GROUP	Improvements to premises	Plant and machinery	Office equipment	Motor Vehicles	Total
	€	€	€	€	€
Cost					
As at 01 January 2022	3,508,109	2,268,704	1,054,769	67,772	6,899,354
Additions	162,600	199,391	214,593	11,440	588,024
Release on disposal of investment in subsidairies	-	(277,743)	(21,718)	(19,203)	(318,664)
Balance at 31 December 2022	3,670,709	2,190,352	1,247,644	60,009	7,168,714
Accumulated depreciation					
As at 01 January 2022	(1,429,835)	(1,020,687)	(578,957)	(46,975)	(3,076,454)
Depreciation	(324,438)	(194,210)	(185,530)	(11,578)	(715,756)
Release on disposal of investment in subsidairies	-	208,058	20,040	19,203	247,301
Balance at 31 December 2022	(1,754,273)	(1,006,839)	(744,447)	(39,350)	(3,544,909)
Carrying amount at 31 December 2022	1,916,436	1,183,513	503,197	20,659	3,623,805

NOTES TO THE FINANCIAL STATEMENTS – continued

13. INTANGIBLE ASSETS

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**

THE GROUP	Goodwill	Suppliers agreements	Intellectual property	Key money	Total
	€	€	€	€	€
Cost					
As at 01 January 2022	5,124,870	3,099,647	4,000,000	1,482,153	13,706,670
Additions	-	-	-	107,797	107,797
Balance at 31 December 2022	**5,124,870**	**3,099,647**	**4,000,000**	**1,589,950**	**13,814,467**
Accumulated amortisation					
As at 01 January 2022	-	-	-	(215,319)	(215,319)
Amortisation	-	-	-	(132,640)	(132,640)
Balance at 31 December 2022	-	-	-	**(347,959)**	**(347,959)**
Carrying amount at 31 December 2022	**5,124,870**	**3,099,647**	**4,000,000**	**1,241,991**	**13,466,508**

During the financial year 2021, the goodwill was adjusted due to a variable consideration which materialised during the same year. This has resulted in a decrease in goodwill of €555,782.

THE COMPANY	Intellectual property
	€
Cost	
As at 01 January 2021 and 31 Decmeber 2021	4,000,000
Accumulated amortisation	
As at 01 January 2021 and 31 Decmeber 2021	-
Carrying amount at 31 December 2021	**4,000,000**

	Intellectual property
	€
Cost	
As at 01 January 2022 and 31 Decmeber 2022	4,000,000
Accumulated amortisation	
As at 01 January 2022 and 31 Decmeber 2022	-
Carrying amount at 31 December 2022	**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 years, the Group also entered into a deed of emphyteusis 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 2021	11,049,660
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
Cost	
As at 01 January 2022	11,866,151
Release on disposal of investment in subsidiaries	(483,007)
Additions	805,931
Lease modification	(131,995)
Balance at 31 December 2022	12,057,080
Accumulated depreciation	
As at 01 January 2022	(2,416,011)
Release on disposal of investment in subsidiaries	22,554
Depreciation	(951,932)
Lease modification	77,583
Balance at 31 December 2022	(3,267,806)
Carrying amount At 31 December 2022	8,789,274

NOTES TO THE FINANCIAL STATEMENTS – continued

15. INVESTMENT IN SUBSIDIARIES

		Company	
	2022	2022	2021
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)	-	-	1,973
Gbake Manufacturing Limited (Note v)	-	-	114,477
Daily Retail Challenges (Note vi)	80	960	960
Aynic & Co Limited (Note vii)	100	67,988	67,988
		171,347	287,797

During the year, the Company held the following investments:

i. 100,000 ordinary shares with a nominal value of €1 each of which, €1,200 were acquired on subscription and the remaining €98,800 was capitalised as a capital contribution.

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

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

iv. 1,400 ordinary shares with a nominal value of €1 each for a total consideration of €1,973. On 14 November 2022 the Company disposed off this investment for a consideration €32,427.

v. 81,400 ordinary shares with a nominal value of €1 each for a total consideration of €114,477. On 14 November 2022 the Company disposed off this investment for a consideration €140,926.

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 2021 and 31 December 2022:

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)

31 December 2022

Subsidiaries	Registered Office	Capital and reserves	Profit/(loss) for the year
The Convenience Shop Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	740,779	573,052
The Convenience Shop for Puttinu Cares Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	13,272	25,123
The Convenience Shop (Management) Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	1,171,086	534,941
Daily Retail Challenges Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(224,397)	151,950
Aynic & Co. Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(316,066)	(61,879)
Gbake Retail Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	-	(375)
Gbake Manufacturing Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	-	(868)

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INVESTMENT IN ASSOCIATES

	Group			Company		
		2022	2021		2022	2021
	% 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 owned the following:

ii. 5,000 ordinary shares in GNJ Company Limited with a nominal value of €1 each; and
iii. 600 ordinary shares in GNG Company Limited with a nominal value of €1 each, both fully impaired.

The Group through the acquisition of Gbake Retail Limited indirectly owned the following:

iv. 600 ordinary shares in JNG Company Limited with a nominal value of €1 each, fully impaired.

In the case of GNJ Company Limited, G N G Manufacturing Ltd and JNG Company Limited, the directors believe that the Group had significant influence but no control over the investees. Consequently, these are accounted for under the equity method as follows:

	Group	
	2022	2021
	€	€
Cost (Note v)	-	6,200
Share of losses (Note v)	-	(6,200)
Carrying value as at 31 December	-	-

v. On 14 November 2022 the Group disposed off its investment in subsidiaries Gbake Manufacturing Limited and Gbake Retail Limited.

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INVESTMENT IN ASSOCIATES

The following summarizes the financial position and performance of the Company's associates as at and for the year ended 31 December 2021 and 31 December 2022:

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 (Note i)	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(161,967)	(163,167)
GNJ Company Limited (Note i)	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(460,313)	(123,858)
GNG Manufacturing Ltd (Note ii)	37, Triq Dun Mikiel Xerri, Attard, Malta	60,958	-

31 December 2022

Associates	Registered Office	Capital and reserves	Profit/(loss) for the year
Seafront Express Limited	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(64,387)	3,341
JNG Company Ltd (Note i)	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(362,924)	(200,957)
GNJ Company Limited (Note i)	Marant Food Products, Mdina Road, Zebbug ZBG 9017, Malta	(596,152)	(135,839)
GNG Manufacturing Ltd (Note ii)	37, Triq Dun Mikiel Xerri, Attard, Malta	60,958	-

i. The capital and reserves and loss for the years of JNG Company Ltd and GNJ Company Ltd are based on unaudited figures as at reporting date.
ii. 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	
	2022	2021
	€	€
Loan to subsidiary	3,889,000	4,680,956

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 (2021: €318,500).

18. INVENTORIES

	Group	
	2022	2021
	€	€
Fast moving consumer goods	3,329,690	2,748,259
Shop fittings	42,659	28,833
Stock Provision	(212,314)	(79,833)
	3,160,035	2,697,259

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Trade receivables	1,016,246	997,574	-	-
Amounts owed by subsidiaries (Note i)	-	-	3,288,737	2,487,653
Prepayments	199,610	318,623	10,155	8,845
VAT receivable	20,989	14,825	-	-
Other receivables	1,746,710	1,713,606	-	-
Dividends receivable	-	-	320,138	455,519
Amounts owed by related parties (Note i)	349,454	219,956	92,890	-
Amounts owed by an associate (Note i)	-	415,328	-	-
Accrued income	33,152	9,890	-	-
	3,366,161	3,689,802	3,711,920	2,952,017

i. 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	
	2022	2021
	€	€
Authorised		
625,000,000 (2021: 70,000) ordinary shares of €0.16 (2021: €1) each	100,000,000	70,000
Issued and fully paid up		
29,800,000 (2021: 70,000) ordinary shares of €0.16 (2021: €1) each	4,768,000	70,000

21. INTEREST - BEARING LOANS AND BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Non-current				
Bank loan (Note i)	882,222	1,008,024	-	-
Bonds payable (Note iii)	4,824,262	4,995,258	4,824,262	4,995,258
Loans payable to shareholders (Note ii)	-	4,093,243	-	4,093,243
Amounts owed to third parties (Note iv)	-	196,400	-	-
	5,706,484	10,292,925	4,824,262	9,088,501
Current				
Bank loan (Note i)	138,490	153,350	-	-
	138,490	153,350	-	-

i. The Group has the following bank loans:

The Convenience Shop Limited has the following banking facilities:

- €163,276 which is subject to 5.40% interest and is to be repaid by no later than 31 May 2031;
- €750,000 which is subject to 3.5% and is to be repaid over a period of 10 years. As at 31 December 2022 €749,131 has been utilised.

The Convenience Shop Ltd had another banking facility of €44,117 at 4.25% interest, which was fully repaid in 2022.

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. On 31 December 2021, JIN Limited had 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 was 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.

During the Extraordinary General Meeting of the Company held on the 16th November 2022, the shareholders considered and approved to capitalize part of the receivable due by the Company to its shareholders up to the sum of €3,239,148 through the issuance of 15,688,000 Ordinary Shares having a nominal value of €0.16 each, which shares have been issued in favour of the shareholders of the Company in proportion to their shareholding percentage in the Company and at a premium of €0.046473.

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 in 2021 were payable at the discretion of the Group within eight years from the agreement date. In 2022, such balances have been transfered as part of the disposal of subsidiaries (Note 15).

22. DIVIDENDS

	Group and Company	
	2022	2021
	€	€
Gross of income tax		
Ordinary shares dividend	961,538	460,000
Net of income tax		
Ordinary shares dividend	625,000	299,000
Net dividend per share	0.02	4.27

NOTES TO THE FINANCIAL STATEMENTS – continued

23. EARNINGS PER SHARE

Earnings per share is based on the profit for the financial year attributable to the ordinary equity holders of The Convenience Shop (Holding) plc divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Profit attributable to ordinary equity holders	1,919,786	846,802	1,310,208	557,517
Issued Ordinary Shares at 1 January	70,000	70,000	70,000	70,000
Effect of Shares issued on 16 November 2022	4,698,000	0	4,698,000	0
Weighted Average number of ordinary shares at 31 December	662,077	70,000	662,077	70,000
Basic earnings per share for the year attributable to ordinary equity holders	2.90	12.10	1.98	7.96

24. LEASE LIABILITIES

	Group	
	2022	2021
	€	€
Gross lease payments		
Due after more than five years	6,832,258	9,296,604
Due after one year but within five years	5,061,022	4,738,640
Due within one year	1,241,423	1,142,914
	13,134,703	15,178,158
Discounting	(3,225,444)	(4,849,307)
	9,909,259	10,328,851

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

	Group	
	2022	2021
	€	€
Opening balance	10,328,851	10,044,526
Additions	794,996	1,003,458
Lease modification	(62,768)	-
Release on disposal of investment in subsidiaries	(491,690)	-
Release of terminated lease	-	(157,538)
Interest	531,629	517,664
Lease payments	(1,191,759)	(1,079,259)
	9,909,259	10,328,851

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

	Group	
	2022	2021
	€	€
Interest expense	520,693	527,142
Depreciation expense	951,932	879,495
	1,472,625	1,406,637

NOTES TO THE FINANCIAL STATEMENTS – continued

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Non-Current				
Other payables	352,268	-	-	-

	Group		Company	
	2022	2021	2022	2021
	€	€	€	€
Current				
Trade payables – third parties	7,281,626	7,002,757	31,585	2,213
Trade payables – related parties	317,528	468,104	-	-
Amounts owed to related parties (i)	-	47,565	-	319,417
Amounts owed to shareholders (i)	55,815	75,000	55,815	75,000
VAT payables	300,368	223,210	126,639	2,982
Accruals	1,159,405	626,069	223,406	15,000
Other payables	416,587	622,138	19,572	69,270
	9,531,329	9,064,843	457,017	483,882

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

26. 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	
	2022	2021	2022	2021
	€	€	€	€
Cash in hand	143,035	170,830	-	-
Cash at bank	1,068,206	1,196,824	4,730	278,709
	1,211,241	1,367,654	4,730	278,709
Overdrawn bank balances	(9,941)	(1,814)	-	-
	1,201,300	1,365,840	4,730	278,709

NOTES TO THE FINANCIAL STATEMENTS – continued

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

THE GROUP	Balance at 01.01.2021	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2021
	€	€	€	€	€
Issuance of share capital (including share premium)	2,257,924	-	-	-	**2,257,924**
Bonds payable	4,994,719	-	-	539	**4,995,258**
Advances from shareholders	-	-	-	4,093,243	**4,093,243**
Interest-bearing loans	1,052,470	311,394	(202,490)	-	**1,161,374**
Lease liabilities	10,044,526	-	(1,079,259)	1,363,584	**10,328,851**
	18,349,639	311,394	(1,281,749)	5,457,366	**22,836,650**

THE GROUP	Balance at 01.01.2022	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2022
	€	€	€	€	€
Issuance of share capital (including share premium)	2,257,924	-	-	3,239,163	**5,497,087**
Bonds payable	4,995,258	-	-	(170,996)	**4,824,262**
Advances from shareholders	4,093,243	-	(494,227)	(3,599,016)	**-**
Interest-bearing loans	1,161,374	-	(140,662)	-	**1,020,712**
Lease liabilities	10,328,851	-	(1,191,759)	772,167	**9,909,259**
	22,836,650	-	(1,826,648)	241,318	**21,251,320**

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	-	-	539	**4,995,258**
Advances from shareholders	-	-	-	4,093,243	**4,093,243**
	7,252,643	-	-	4,093,782	**11,346,425**

THE COMPANY	Balance at 01.01.2022	Proceeds	Repayments	Non-cash Adjustment	Balance at 31.12.2022
	€	€	€	€	€
Issuance of share capital	2,257,924	-	-	3,239,163	**5,497,087**
Bonds payable	4,995,258	-	-	(170,996)	**4,824,262**
Advances from shareholders	4,093,243	-	(494,227)	(3,599,016)	**-**
	11,346,425	-	(494,227)	(530,849)	**10,321,349**

NOTES TO THE FINANCIAL STATEMENTS – continued

28. 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	
	2022	2021
	€	€
Income from goods and services		
Sale of goods and services to related parties	115,351	-
Recharge of payroll and other costs to associate undertakings	-	45,769
Recharge of payroll and other costs to related parties	622,944	479,277
Commission income from associate undertakings	47,500	65,012
Commission income from related parties	14,030	-
	799,825	590,058
Expenditure for goods and services		
Purchase of goods from associate undertakings	452,585	518,148
Purchase of goods from related parties	1,195,801	992,785
Purchase of services from related parties	134,086	127,365
Other recharges from related parties	-	134,713
Rental expenses from related parties	116,367	99,654
	1,898,839	1,872,665

	Company	
	2022	2021
	€	€
Income from goods and services		
Sale of services to subsidiaries	812,459	30,000
Dividend income from subsidiaries	1,076,923	906,154
Finance income on loans to subsidiaries	318,500	318,500
	2,207,882	1,254,654
Expenditure for goods and services		
Recharge of payroll from subsidiaries	4,280	28,089
Purchase of services from related parties	46,770	22,000
	51,050	50,089

The outstanding amounts arising from these transactions are disclosed in Notes 19, 21 and 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – continued

29. 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 €1,020,702 (2021: €1,161,374) 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 €12,003 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

29. 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 2022, 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	
	2022	2021	2022	2021
	€	€	€	€
Cash in banks	1,068,206	1,196,824	4,730	278,709
Trade receivables	1,016,246	997,574	-	-
Loans receivable	-	-	3,889,000	4,680,956
	2,084,452	2,194,398	3,893,730	4,959,665

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

29. 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)	-	-	4,824,262	**4,824,262**
Bank loan (Note 21)	138,490	535,968	346,254	**1,020,712**
	138,490	535,968	5,170,516	**5,844,974**

COMPANY	Within 12 months	Between 1 to 5 years	More than 5 years	Total
Bonds payable (Note 21)	-	-	4,824,262	**4,824,262**

During the year under review the Group entered into a number of lease arrangements resulting in an outstanding lease liability of €9,909,259 out of which €1,241,423 is repayable within one year (Note 23).

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

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

On the 25th January 2023, The Company through Company Announcement CVS 53, announced that the Malta Financial Services Authority (the "MFSA") has, authorised the admissibility to listing on the Official List of the Malta Stock Exchange of:

(i) six million seven hundred thousand (6,700,000) ordinary shares in the issued share capital of the Company of a nominal value of sixteen Euro cents (€0.16) each, being offered to the public by the shareholders of the Company (the "Sale Shares"); and

(ii) one million (1,000,000) ordinary shares in the issued share capital of the Company of a nominal value of sixteen Euro cents (€0.16) each, being offered to the public by the Company (the "Offer Shares"); (collectively the "Shares").

The MFSA has also approved the prospectus relating to the said offering, dated the 25th January 2023 (the "Prospectus"). In accordance with the Prospectus, the Shares are being offered at an offer price of €0.97 per Share.

31. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.