



**The Convenience Shop  
(Holding) plc**  
Annual Report  
& Consolidated Financial Statements

**31 December 2023**

# About Us

## The Convenience Shop (Holding) plc Simplifying Lives, Strengthening Communities

Founded in 2009 in Żebbuġ, The Convenience Shop swiftly evolved into a household name, expanding to 90 outlets across 50 strategic central locations in Malta as well as being listed on the Malta Stock Exchange in 2023. Our exclusive partnership with COOP Italian FOOD S.P.A enriched our product range, offering more choices and affordability to our valued customers. This collaboration has allowed us to expand our product offerings, catering to diverse customer preferences while maintaining our commitment to quality and convenience.

Harnessing the power of technology, we introduced The Convenience Shop Online as well as partnered up with international service delivery online networks to ensure essential needs are delivered right to our customers' doorsteps.

With over 400+ dedicated employees across operations, sales, customer service, and management, we cherish their commitment, valuing teamwork toward common goals.

At the core of our philosophy lies Corporate Social Responsibility, where we annually support various local NGOs and vulnerable groups. Chiefly amongst them is The Convenience Shop for Puttinu Cares in Qormi, which directs all profits to aid the Puttinu Cares Foundation, aiding cancer patients and their families.

Aligned with our corporate vision, our focus remains on being Malta's retailer of choice by offering a hassle-free, convenient shopping experience while actively engaging and supporting our local community. We're committed to simplifying our customers' lives and making a meaningful difference in the Maltese community. Through constructive dialogue with shareholders and stakeholders, we continually strive for transformation and growth, ensuring our services remain modern, reliable, and customer-centric.

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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 Maltese 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 and Principal Place of Business

Marant Food Products  
Mdina Road  
Żebbuġ ŻBG 9017  
Malta

#### Bankers

Bank of Valletta p.l.c.  
219-220  
Triq ix-Xatt  
Gżira GŻR 1022  
Malta

#### Auditors

RSM Malta  
Mdina Road  
Żebbuġ ŻBG 9015  
Malta

The printed report is not the official Annual Financial Report. The official version of the Annual Financial Report including ESEF tagging can be found by accessing this link <https://www.theconvenienceshop.com/report>. In case of any conflict, the ESEF version will prevail. A copy of the Independent auditor's report issued on the official statutory Annual Financial Report, is included within this document and comprises the auditor's report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the ESEF RTS), by reference to Capital Markets Rule 5.55.6.



## Chairman's Statement

**“In the face of change in Malta’s retail environment, we harness the power of innovation and the spirit of our team to navigate our journey towards excellence and beyond.”**



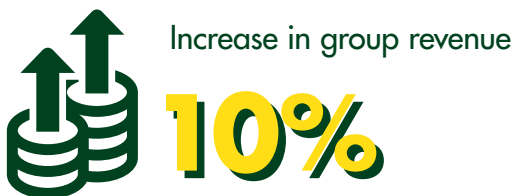


Reflecting on our journey, particularly the last 12 months, it's clear that The Convenience Shop Group has not only met the challenges of our times but has emerged stronger, more innovative, and firmly positioned for sustainable growth.”

Our listing on the Malta Stock Exchange in May 2023 marked a historic milestone for the company; a testament to the trust and confidence vested in us by our investors, customers, and the team that drives our vision forward. This significant achievement underpins our commitment to growth, excellence, and financial robustness, signalling a new era of opportunities and aspirations for our Group.

Our strategic direction in 2023 was characterized by remarkable expansion and innovation. We continued to expand our network to over 90 stores, further extending our reach across Malta and setting the stage for our next milestone: the launch of the 100th store under our brand in 2024. This expansion is not merely a number but represents our unwavering commitment to bringing convenience and quality to the doorsteps of our communities – a vision that continues to inspire our growth and operational strategies.

Our financial performance speaks volumes of our strategic focus and operational excellence. Achieving a 10% increase in group revenue at €46.7 million – and an impressive 20% increase in Profit Before Tax underscores our financial health and the successful execution of our business model. These achievements are particularly noteworthy, considering the backdrop of global economic uncertainties. Our Finance Team has adeptly navigated these waters, ensuring our financial KPIs reflect continuing growth and stability.



The launch of our IPO was a pivotal moment in our history, welcomed by the investment community. This initiative not only consolidated our financial standing but marked our transition into a public entity, accountable and transparent, reflecting principles of corporate governance that we have always aspired to.

Innovation has been at the core of our operational philosophy. From enhancing the customer shopping experience through a diversified product range and strategic partnerships – like our collaboration with COOP Italian Food S.P.A. – to investing in sustainable practices and cutting-edge technology, we constantly strive to stay ahead of the curve. The forthcoming Sandra Calleja Foundation is evidence of our commitment to social responsibility, honouring the legacy of compassion and community service.

Looking ahead, we are excited about the prospects of reaching the 100th store milestone under our brand. Our stores' growth strategy, coupled with our dedication to operational excellence and sustainability, pave the way for a future with new opportunities and achievements.

On behalf of my fellow board members, I wish to extend our heartfelt gratitude to our CEO, Martin Agius, our CFO, Alan Schembri, and the entire team whose dedication and hard work have been instrumental in our success. And to our shareholders, customers, and partners, your trust and support are the bedrock of our journey, inspiring us to set new benchmarks of excellence.

I look forward with optimism to the journey ahead. As we continue to navigate the evolving landscapes of retail and community service, our focus remains steadfast on innovation, sustainability, and creating value for all our stakeholders. Together, we are not just redefining convenience; we are shaping a future where quality, accessibility, and community well-being are intertwined in every facet of our operations.

**Benjamin Muscat**  
Chairman

# Board of Directors, Group Company Secretary, Audit Committee & Internal Auditor Profiles



**Chairman of the Board and Audit Committee Member**

**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, international fast-food franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums.



**Chairman of the Audit Committee and Non-Executive Director**

**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.



**Executive Director**

**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.



**Executive Director**

**Mr Ivan Calleja** has led the Group from its inception to its current position in the fastmoving 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.



**Executive Director**

**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.



**Non-Executive Director and Audit Committee Member**

**Dr Kevin Deguara** is a qualified lawyer and founding partner of DF Advocates and he 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 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.



**Company Secretary**

**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 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.

## Deloitte.

During 2023, the Audit Committee decided to outsource the Internal Audit function to a professional services firm. On 22 January 2024, the Company engaged Deloitte to take-over the Internal Audit function, which was previously managed in-house. The Deloitte Internal Audit services are led by Ian Coppini who acts as the lead engagement director and Rafael Moreira, the Lead engagement manager.

# The Management Team



*Seated (left to right)*

**Joao Rente Correia**  
Chief Operating Officer

**Sharon Sammut**  
Chief Commercial Officer

**Martin Agius**  
Chief Executive Officer

**Alan Schembri**  
Chief Financial Officer

*Standing (left to right)*

**Andrew Attard**  
Executive Assistant to the Directors

**Joseph Vincent Camilleri**  
Head of Security

**Adrian Zammit**  
Chief Technology Officer

**Sandro Baldacchino**  
Head of Maintenance and Projects

**Pamela Mizzi**  
Human Resources Manager



## Chief Executive Officer Statement

**“Our path is one of continuous growth and innovation. Thanks to the dedication of our team and the trust of our customers, we look to the future with confidence. Together, we will redefine convenience for Malta and beyond.”**





**As we reflect on the milestones achieved in 2023, I am once again filled with immense pride and gratitude for the dedication and hard work of our team, the loyalty of our customers, and the trust of our shareholders.”**

Last year marked a significant turning point for our company as we successfully listed on the Malta Stock Exchange, solidifying our position as a leading player in the retail industry. The Initial Public Offering (IPO) was a resounding success, reflecting the confidence of investors in our business model and growth strategy.

This achievement not only strengthened our financial position but also paved the way for further expansion and innovation, allowing us to better serve our customers and communities.

## 2023: Another Year of Growth and Innovation

2023 was a period of remarkable growth and expansion for The Convenience Shop, in which our network grew to more than 90 stores by the end of December 2023. This expansion not only solidified our presence but also allowed us to serve more communities, provide employment opportunities, and bring convenience closer to the people of Malta.

Our franchise model continues to be a key driving force behind our success, attracting entrepreneurs and established businesses alike. In 2023, we welcomed several new franchisees to our network, drawn by our powerful procurement capabilities, efficient business practices, and the opportunity to be part of a thriving and innovative retail group.

Taking this focus into 2024, we plan to implement a new approach to business acquisitions through the adoption of the Co-Existence and Co-Prosperity model, seeking established grocery stores with specific area dimensions. This approach will enable us to capture new shopper opportunities. We expect this to lead to increased demand from existing grocery store owners and operators who recognise the value proposition of joining The Convenience Shop Franchise Network.

This route will also lead us towards two exciting milestones in 2024: the 100th store under our brand – which we expect to unveil sometime around the third quarter of the year – and our first store in Gozo.

## ★ Enhancing Customer Experience

One of our key objectives in 2023 was to transform the perception of The Convenience Shop from a mere impulse purchase destination to a one-stop-shop for daily fresh essentials. We achieved this through a multifaceted approach, focusing on affordability, category expansion, and enhancing the overall shopping experience.

Through strategic partnerships – such as our collaboration with COOP Italian Food S.P.A. – we have expanded our product offerings, introducing a wider range of high-quality, affordable options to cater for diverse tastes and lifestyles. We extended our portfolio from 164 to 400 SKUs, including frozen products, and benefited from our partner's expertise in new product development and continuous innovation.

Our commitment to affordability has been unwavering, and we have implemented effective strategies to maintain competitive pricing without compromising our margins. By strengthening relationships with local suppliers and leveraging our procurement capabilities, we have been able to offer our customers exceptional value while supporting the local economy.



In addition to our product offerings, we have invested in enhancing the overall shopping experience. Our focus on category development – particularly in fresh produce, personal care, and pet products – has positioned us as the obvious destination for daily essentials. And we will further develop this in 2024, with new initiatives, such as proprietary on-the-go food options and delicatessen counters to cater to the evolving lifestyles of our customers.



# Creating Value for Our Stakeholders

## Our unique combination of strengths

**★ Understanding Customers**  
We understand and meet the needs of our customer better than anyone else.

**🏠 Franchise Partners**  
Our market leading store design, range breadth and forensic approach to retailing allows us to deliver superior economics and innovative formats for Franchise partners.

**👥 Our People**  
We have over 750 dedicated colleagues across our franchise.

**📍 Store Location**  
We have a network of 90 stores across our franchise in premium, high footfall locations in 49 different localities.

**🛒 Product Range**  
We work closely with local suppliers and Coop Italian Food S.P.A. to provide relevant products and services to our shoppers.

**⚙️ Service Offering**  
We work closely with our strategic partners to service the needs of the daily shoppers.

**📈 Operational Efficiency**  
We maintain an ongoing focus on efficiency, productivity and cash generation in each store.

## How we create value

**Format and Store Design**  
Through our strong brand positioning and innovative retail store formats, we are able to secure premium, high footfall locations for our stores.



**Reinvest in Growing Our Business**  
Our disciplined approach to operational efficiency and cash generation allows us to reinvest capital in our stores and product offering.

### Product Range

We work with our suppliers and partners to bring together a broad range of products and services to meet the needs of our customers.



### Forensic Approach to Retailing

We continuously evaluate our store space and the performance of our categories to ensure that we are maximising returns.

## Creating value for



### Our Customers

We bring our customers an enhanced shopping experience through a diversified affordable product range.



### Our People

We provide an inclusive and rewarding environment for our employees to build a career.



### Our Investors

We focus on providing consistent, profitable and sustainable growth, returning surplus cash to shareholders through a clear dividend distribution policy.



### Our Franchisees

We are proud of our strong franchise partnerships and we work collaboratively with them to ensure flexibility and meeting customer needs.



### Our Suppliers and Business Partners

We work collaboratively with our local suppliers and business partners to provide customers with a wide range of products and to grow our business and theirs.



### Our Community

We operate a responsible and sustainable business that contributes to the communities in which we operate.

# Our Strategy

## A Strong and Focused Strategy



### OUR VISION

Malta's retailer of choice in the convenience sector, evolving into an innovative and technology-driven company.

## The Convenience Shop (Holding) Plc

### Strategic Priorities

#### Space Growth

- Opening new stores.
- Winning new business.
- New, better quality space.
- Developing format and brands.

#### Average Transaction Growth

- Space Management.
- Refitting stores.
- Product range development.

### Progress

**90 Stores**  
in 49 localities

2024 Store Openings

**10+** New Stores   
**5** New Localities 

#### Increasing Average Transaction Value

### Enablers

#### Forensic Approach to Retail

- Space Management.
- In-store execution.
- Tight cost control.
- Industry leading returns.

#### Innovative Store Formats

- Format development.
- Enhanced portfolio.
- Forensic approach to maximising sales density.

## Category Development

- Provide a new experience and value consistently from the customer point of view.
- Continue to strengthen our position as a relevant Fresh Bread destination.
- Address challenge of “Fresh Food expected Now”.

## Cost and Cash Management

- Flexible rent model.
- Acquisition model.
- Investing for growth.
- Productivity and Efficiencies.

## Maintain Profitability and Cash Generation

## Expanding Food to Go, Fresh Products

## Investing

for Future Growth and Sustainable Returns

**€2m + Capex Investment in 2024**

## Low-cost Operation

- Efficient, nimble supply chain.
- Focus on cost control.

## High Performing Teams

- Attract, retain and develop the best talent within the retail industry.
- Diverse and inclusive workplace.

## Driving Sustainability

- Minimising our impact on our environment.
- Engaging our people.
- Contributing to communities.

**Profit Growth, Strong Cash Generation and Shareholder Return.**

## Sustainability and Corporate Social Responsibility

As a responsible business, we remain committed to minimising our environmental impact and contributing to the well-being of our communities. In 2023, we continued our transition to bio-degradable and recycled paper bags and implemented energy-saving initiatives, such as upgrading our refrigeration equipment and investing in eco-friendly technologies.

Furthermore, as part of our 15th anniversary celebrations, 2024 will see the launch of the Sandra Calleja Foundation, named in honour of the late wife of our director, Ivan Calleja. This foundation will serve as a platform for our corporate social responsibility initiatives, allowing us to strategically invest in charitable causes and make a positive impact on the lives of those in need.

## Operational Excellence and Infrastructure

To support our growth and enhance operational efficiency, we have made significant investments in our infrastructure. In 2023, we commenced the construction of our new state-of-the-art head office in Qormi, which will serve as a landmark for The Convenience Shop Group. This facility will not only house our corporate offices but will also feature a retail outlet, a family-friendly food court, and an in-house academy for employee training and development.

Looking to our vision for 2026 and our commitment to innovation, we will also invest heavily in cutting-edge technology solutions, including a new Enterprise Resource Planning (ERP) system, to streamline our operations, improve decision-making processes, and enhance our supply chain management capabilities.



Rendered image of the new Head Office in Qormi.

## Our People and Culture

Our success is driven by the dedication and talent of our employees, and we remain committed to fostering a rewarding and inclusive work environment. In 2023, we expanded our employee base, attracting diverse talent from over 20 nationalities, while maintaining a balanced gender representation.

We have invested in comprehensive training programs, health benefits, and professional development opportunities to support the growth and well-being of our employees. Our new head office will feature an academy and training centre, further reinforcing our commitment to nurturing talent and providing our employees with the tools and resources they need to thrive.



Our success is driven by the dedication and talent of our employees

# Looking Ahead



**We continue to expand our store network to hit the milestone 100th store under our brand.”**

## A Year of Milestones and Transformation

As we look towards the future, our vision remains clear: to be Malta's retailer of choice in the convenience sector, evolving into an innovative and technology-driven company. Our values of customer-centricity, honesty, determination, competitive results, and dynamism will continue to guide our actions and decisions.

In 2024, we celebrate our 15th anniversary while we continue to expand our store network to hit the milestone 100th store under our brand. We will achieve this by focusing on key growth locations and economically populated areas.

As a result of our work with a London-based, food and brand-focused interior design company, we will also unveil a fresh and modern look and feel within our shops, reflecting our commitment to staying ahead of trends and remaining relevant to the evolving needs of our customers.

Innovation will remain a driving force, as we explore new technologies, digital solutions, and sustainable practices to enhance the shopping experience and minimize our environmental impact. We will continue to invest in our people, fostering a culture of excellence, continuous learning, and personal growth.

## The Convenience Shop Today and Tomorrow

With our gaze firmly on 2024, we are resolute in our determination to not just reach, but exceed, the ambitious targets we have set.

With that vision in mind, I would like to again express my sincere gratitude to our shareholders, customers, employees, and partners for their unwavering support and trust. Your confidence in our vision and our ability to deliver has been the driving force behind our success.

We remain steadfast in our commitment to redefining convenience, exceeding customer expectations, and creating sustainable value for all our stakeholders. With our strong foundation, innovative spirit, and dedicated team, I am confident that The Convenience Shop Group will continue to soar to new heights, solidifying our position as a leader in the retail industry.

**Martin Agius**  
Chief Executive Officer



## Chief Financial Officer Financial Review



**“We have observed continuous improvement in all financial KPIs, enhancing our profitability, liquidity and gearing ratios, thereby consistently achieving record results year on year.”**



**Group revenue in 2023 increased by 10% from €42.4 million in 2022 to €46.7 million. This was primarily due to a significant increase in outlet sales and growth in other revenues. The Group also continued to expand its well-established franchise model, contributing to the revenue growth.”**

The Group realised an increase in profit before tax (PBT) for the year ended 31 December 2023, just over €3.1 million, a 20% increase over the previous year. Our earnings before interest, taxes, depreciation, and amortisation (EBITDA), adjusted for IFRS 16 Leases and exceptional items also saw a considerable rise from €4.0 million in 2022 to €4.5 million in 2023.

Throughout 2023, the Group’s net cash from operations showed positive trends. The Group’s total assets grew to €38.8 million, of which a significant portion constitutes current liquid assets. This includes stock for resale amounting to €3.2m, trade receivables amounting to €1.7m, and cash and cash equivalents at €2.2m. The Group’s liquidity ratio improved by a remarkable 16 percentage points during 2023.

In terms of capital structure, the Group continues to build on the momentum from the IPO in May 2023 and remains committed to delivering shareholder value through sound financial management and strategic growth initiatives.

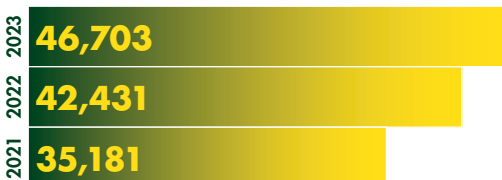
As we maintain our solid balance sheet, Group liabilities have been carefully managed, with net borrowings

decreasing to €4.3 million, and total equity increasing to €9.8m as of 31 December 2023. The Group’s gearing ratio improved by 17 percentage points from 61% in 2022 to 44% at the end of the reporting year, indicating a stronger equity base relative to debt.

In 2022, the Board of Directors had implemented a dividend policy recommending a dividend distribution of 55% of the recurring free cash flows on an annual basis subject to statutory requirements and availability of profits for distribution. In this regard, our strong results are evidenced through the €1.5 million net dividends declared and paid during 2023, when compared to the €625k declared and paid in 2022.

Finally, the Finance Team is proud to acknowledge the collective effort of our employees, whose hard work has directly contributed to our financial achievements this year. Our collective strong performance not only reflects the consistent delivery on our financial sustainability forecast but also signals to our shareholders and stakeholders alike that our strategic objectives are being met and exceeded.

### Group Turnover (€'000)



### Group PBT (€'000)



### Group EBITDA – adjusted for IFRS16 and exceptional items (€'000)



### Net Cash from Operations

**€4.1m**

### Cash re-invested in Capital Expenditure

**€1.2m**

### Dividend Payments

**€1.5m**

### Group Total Assets

**€38.8m**

### Current/Liquidity Ratio

**+16 Percentage Points**

### Gearing/Debt-to-Equity Ratio

**61% in 2022**    **44% in 2023**

**Alan Schembri**  
Chief Financial Officer



# The Convenience Shop (Holding plc)

## DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2023.

### Directors

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 Company sold its entire shareholding in Gbake Manufacturing Limited (C 60422) and in Gbake Retail Limited (C 60421) to Coron Holdings Limited (C 90462).

On the 25 January 2023, the Malta Financial Services Authority authorised the admissibility to listing on the Official List of the Malta Stock Exchange 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 issued

share capital (the "Shares"). 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 have been admitted to the official list of the Malta Stock Exchange on 10 May 2023 and trading commenced on 11 May 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 shop count of 41 owned shops and 50 franchised shops as at 31 December 2023. 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 successful year within a challenging retail market, influenced by high inflation and emerging price wars. Group turnover for 2023 reached €46.7 million, representing a growth of 10% over the previous year.

The Group registered a strong financial performance with a profit before tax of just over €3.1 million for the year ended 31 December 2023, a 20% increase over the previous year, and a gross profit of €6.8 million, a 13% increase over the previous year (year ending 31 December 2022 – €2.6 million and €6.1 million respectively). Group EBITDA adjusted for the impact of IFRS 16 Leases, amounted to €4.5 million, a 12% increase over the previous year (year ending 31 December 2022 – €4 million).

When comparing these results with the Forecast as submitted through the Company Announcement CVS63 on 12 April 2023, the Group has successfully achieved and exceeded such forecasts. Profit before tax was €200k higher than Forecast.

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 2023 amounted to €38.8 million (as at 31 December 2022 – €33.6 million).

In terms of liquidity, the Group remains highly liquid as Cash and cash equivalents as at 31 December 2023 amounted to €2.2 million (as at 31 December 2022 – €1.2 million). The Group also registered an 17% increase in cash flow from operating activities over the previous year.

The Group's current ratio or liquidity has improved considerably by 16 percentage points from last year mainly from the increase in trade receivables and cash balances at year-end. The trade receivables mainly represent supplier trade grants and rebates invoiced or accrued for at the end of the year.

The Group's net borrowings (excluding the lease liabilities in terms of IFRS 16) amounted to €4.3 million (as at 31 December 2022 – €4.6 million). Total equity of the Group at end of year amounted to €9.8 million (as at 31 December 2022 – €7.7 million). Group gearing has hence decreased by 17 percentage points from end of 2022.

## 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 2023, the Group invested €1.2 million 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 investment also includes assets under construction, mainly the finishings of the Head Office Project in Qormi.

This reflects the ongoing commitment of the Group to continuously innovate and invest in the modernization and security of its infrastructure, as well as the well-being of its employees.

## Outlook for 2024 and events subsequent to the financial reporting date

Going into 2024, The Convenience Shop Group remains committed to redefining convenience and delivering an exceptional shopping experience to its valued customers. The Group's strategic vision is firmly aligned with the goal of becoming the retailer of choice in the local convenience sector, driven by a relentless pursuit of innovation, customer-centricity, and operational excellence.

Customer satisfaction is at the core of its endeavours, and the Group will continue to invest in improving category

management and expanding its product offerings to cater to the evolving needs and preferences of its customers. By introducing new categories and curating a diverse range of products, the Group will solidify its position as a one-stop-shop for daily essentials, providing convenience and value to its patrons.

In 2024, the Group will implement a new HR system, consolidating a single platform to manage employee data, streamline hiring and onboarding processes, and enhance overall employee experience and performance.

By the second quarter of 2024, The Group will unveil its new flagship head office in Qormi, spanning over 1,350 square meters. This state-of-the-art facility will house modern office spaces, a retail outlet, a family-friendly food court, and a cafeteria, reflecting its commitment to providing an exceptional experience for its employees, customers, and the community.

As the Group continues to expand its retail footprint, it is dedicated to serving as the leading daily shopping destination, offering a comprehensive range of fast-moving consumer goods, fresh produce, baked goods, meat, dairy products, and more. Its commitment to quality, affordability, and convenience will remain unwavering as it strives to meet the evolving needs of its customers.

Innovation and sustainability will be at the forefront of The Convenience Shop's endeavours. The company will actively explore and implement cutting-edge technologies, digital solutions, and sustainable practices to enhance the shopping experience and minimise its environmental impact. By embracing innovation and adopting eco-friendly initiatives, the company aims to future-proof its operations and contribute to a more sustainable future.

The Board of Directors together with management constantly monitors the rapidly shifting macroeconomic and geo-political environment. The speed of change in terms of emerging challenges means that agility of response is critical to ensure that the business is protected and continues to grow and develop. The Group will continue to manage its operations and finances in a diligent manner so as to be able to generate sustainable levels of turnover and profitability in the years to come.

Looking ahead, The Convenience Shop Group is poised to reach new heights of success, driven by its unwavering dedication to excellence, customer-centricity, and a relentless pursuit of growth and innovation.

## 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.

## **Dividend Policy and Dividend Distribution**

The statements of comprehensive income and statements of financial position are set out on pages 31 to 33. As at 31 December 2023, the Company's retained earnings amounted to €1,255,522 (2022: €1,016,602) while the Group's retained earnings amounted to €3,341,208 (2022: €2,190,175).

As noted in the IPO registration document, the Company's Board of Directors have implemented a policy to recommend 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.

During the Company's AGM held on 21 July 2023, the shareholders of the Company declared and paid a final net dividend of €1,000,019, equivalent to €0.032468 per ordinary share out of prior year profits. On 25 August 2023, the Board declared an interim net dividend of €462,000, equivalent to €0.015 per ordinary share, which dividend was paid on 29 September 2023. The Board is now proposing the payment of a final net dividend of €1,108,800, equivalent to €0.036 per ordinary share, for consideration at the forthcoming Annual General Meeting.

## **Statement of directors' responsibilities for the financial statements**

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

In preparing the financial statements, the directors are responsible for:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and which enable the directors to ensure that the financial statements are free from material

misstatement, whether due to fraud or error, and that they 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 2023 are included in the Annual Report 2023, 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.

Additionally, the directors are responsible for:

- the preparation and publication of the Annual report, including the consolidated financial statements and the relevant tagging requirements therein, as required by Capital Markets Rule 5.56A, in accordance with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS")
- designing, implementing and maintaining internal controls relevant to the preparation of the Annual report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error,
- and consequently, for ensuring the accurate transfer of the information in the Annual report into a single electronic format.

*Statement of responsibility pursuant to the Capital Market Rules issued by MFSA*

We confirm that to the best of our knowledge:

- In accordance with Capital Market Rule 5.68, the financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2023, and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the EU; and
- In accordance with the Capital Market Rules, the Directors' 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.

### Going concern basis

As at 31 December 2023, total assets exceeded total liabilities by €9.8million. 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 2024 and events occurring after the statement of financial position date.

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

### Shareholder register information pursuant to Capital Markets Rule 5.64

The authorised share capital is one hundred million Euro (€100,000,000) divided into six hundred and twenty-five million (625,000,000) Ordinary Shares of sixteen Euro cent (€0.16) each. The issued share capital of the Company is four million nine hundred and twenty-eight thousand Euro (€4,928,000) divided into thirty million eight hundred thousand (30,800,000) Ordinary Shares of sixteen Euro cent (€0.16) each, which shares have all been subscribed and paid up. All ordinary shares in the Company (whatever their class and nominal value) shall rank *pari passu* for all intents and purposes of law. The Share capital information of the Company is also disclosed in Note 19 of the financial statements.

The rules governing the appointment, election or removal of Directors are contained in the Company's Articles of Association, Articles 15.1 to 15.8. The powers and duties of the Directors are outlined in Articles 15.9 to 15.31 of the Company's Articles of Association.

On the basis of information available to the Company as at the 31 December 2023, IC Holdings Limited, JMP Holdings Limited, MPH Malta Limited and GAIA Investments Limited each held 18.75% shareholding, in total equivalent to 75% of the Company's issued share capital.

For the purposes of Rule 5.176 of the Capital Markets Rules, out of the 25% of the total issued share capital of the Company held by the new shareholders, Calamatta Cuschieri Investment Services Limited (in its own name and/or for the benefit of its clients) holds 5,470,987 shares in the Company, representing 17.76% of its total issued share capital.

It is hereby being declared that, as at 31 December 2023, the Company is not party to any significant agreement pursuant to Capital Markets Rule 5.64.10.

In terms of Capital Markets Rule 5.64.2, trading restrictions include the high volume investors lock-in period, representing the period of twelve (12) months from the date when any discounted Sale Shares are allotted to high volume investors within which the said high volume investors who have so been allotted the discounted sale shares undertake not to offer, sell, grant any option, right or warrant to purchase over or otherwise transfer, assign or dispose of, any of the discounted sale shares in the Company allotted to them in terms of the IPO. Moreover, the main shareholders of the Company IC Holdings Limited, JMP Holdings Limited, MPH Malta Limited and GAIA Investments Limited are collectively subject to the Lock-In Agreement. On 12 December 2022, the Company and each of the Locked-In Shareholders entered into a Lock-In Agreement pursuant to which the Locked-In Shareholders undertook, for a period of twenty-four (24) months from the date when the Shares are admitted to listing on the Official List, not to offer, sell, grant any option, right or warrant to purchase over or otherwise transfer, assign or dispose of, any of the Share in the Company retained by them as at the date on which, following closing of the Offers in terms of the Prospectus, the transfer of the Sale Shares in terms of the Sale Shares Offer shall have been affected (the 'Lock-In').

Save as otherwise disclosed herein, the provisions of Capital Markets Rules 5.64.4 to 5.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

### Remuneration report

The Remuneration report is set out on pages 27 to 29 of this Annual Report and sets out details of the Remuneration strategy and policy of the Group. The Remuneration Report also sets out the required details of the remuneration paid to directors and senior executives. The Remuneration Report will be subject to a vote by the Shareholders at the forthcoming Annual General Meeting. The contents of the remuneration report have been reviewed by the external auditors to ensure that it conforms with the requirements of the Capital Market Rules.

## **DIRECTORS' REPORT – continued**

### **Auditors**

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

***Signed on behalf of the company's Board of Directors on 28 March 2024 by Benjamin Muscat (Chairman) and Joseph Pace (Executive Director) as per the Directors Declaration on ESEF Annual report submitted in conjunction with the Annual Report 2023.***

Registered address:  
Marant Food Products,  
Mdina Road,  
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Telephone (+356) 8007 4600

28 March 2024

# CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

## Introduction

The Prospects MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF and whose securities are listed on a regulated market to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (“the Code”).

Pursuant to the Capital Market Rules issued by the Capital Markets Authority, The Convenience Shop (Holding) plc (the “Company”) should endeavor to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the “Code”). In terms of Capital Markets Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Board of Directors (the “Board” or the “Directors”) of 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 role of the Board of Directors is to provide the necessary leadership, set strategy and steward the values and standards by acting in the best interests of shareholders and other relevant stakeholders. 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 Officer***

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

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

The Chief Executive Officer 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.

## CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – continued

### **Principle Two: The Company's Chairman and Chief Executive Officer – continued**

Mr. Benjamin Muscat and Mr Martin Agius act as Chairman and Chief Executive Officer, respectively.

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 Company considers that the current board set up constitutes an appropriate mix between executive and non-executive directors. The Board is responsible for the overall long-term strategy and general policies of the Company, of monitoring the Company's systems of control and financial reporting and communicating effectively with the market as and when necessary.

The Board of Directors consists of the following:

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

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

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

None of the independent non-executive Directors:

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

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

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

### **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 and rules 5.117 to 5.134 of the Capital Markets Rules as follows:

## CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – continued

### *Principle Four: The Responsibilities of the Board – continued*

#### 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 has met 8 times during the financial year ended 31 December 2023, and the attendance at these meetings was as follows:

Name	Attendance of Meetings
Mr Benjamin Muscat	8
Mr Charles Scerri	5
Dr Kevin Deguara	8

#### 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. The Board has adopted and implemented appropriate policies and procedures to manage risks and internal controls. The Board plans, controls and monitors business operations in order to achieve the set objectives. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Through the Audit Committee, the Board reviews the effectiveness of the internal controls, including financial reporting. The Audit Committee oversees and provides advice to the Board on matters relating to financial reporting and thereby monitors the integrity of the financial statements and any formal announcements and disclosures related to financial matters.

#### *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. Processes are in place for identifying, evaluating and managing the significant risks facing the Company. These risks are assessed on a continual basis with a view to control and mitigate where deemed necessary. The Board receives periodic risk management information to enable the effective monitoring and mitigation of key risks to the Company and its subsidiaries. This allows the Board to be proactive in ensuring that financial controls and risk management systems are well established, and to satisfy itself about the integrity of financial information.

#### *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. Comprehensive annual financial plans are prepared, reviewed and approved by the Board. Business alternatives are regularly considered by the Board on the basis of the variance analysis carried out. Responsibilities for financial performance against plans are delegated to the management team.

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.



## CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – continued

### **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 four times during the financial year under review.

The following Directors attended Board meetings as follows:

<b>Name</b>	<b>Designation</b>	<b>Number of Meetings</b>
Mr Benjamin Muscat	Chairman & Non-executive Director	4 out of 4
Mr Charles Scerri	Non-executive Director	4 out of 4
Dr Kevin Deguara	Non-executive Director	4 out of 4
Mr Joseph Pace	Director	4 out of 4
Mr Ivan Calleja	Director	4 out of 4
Mr Manuel Piscopo	Director	4 out of 4

### **Principle Six: Information and Professional Development**

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

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

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

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

#### **A. Remuneration Committee**

As is permitted in terms of provision 8.A.2 of the Code, on the basis of the fact that the remuneration of the directors is not performance-related, the Company has not set up a remuneration committee. Instead, the functions of the Remuneration Committee are vested in the Board, which itself establishes the remuneration policies of the Company. Further details on remuneration of the directors are set out in the Remuneration Report for the financial year under review and is in compliance with the requirements of Capital Markets Rules 12.26 and contains the information required by Appendix 12.1 of the Capital Market Rules.

#### **B. Nomination Committee**

The Board of Directors considers that the size and operation of the Company does not warrant the setting up of a nomination committee and 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, the declaration of a dividend 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.

## CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – continued

### ***Principles Nine and Ten: Relations with Shareholders and with the Market and with Institutional Shareholders – continued***

Apart from the AGM, the Company has continued to communicate with its shareholders and the market by way of the Annual Report and Financial Statements and by publishing its results on a six-monthly basis during the year. The Board is also responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the rules of Prospects MTF and Capital Markets Rules. With respect to the Company's shareholders, bondholders and the market in general, during the financial year under review, there were seventeen (17) 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.

In view that the Company is subject to the Prospects MTF Rules, the Company is required to hold its Annual General Meeting within four (4) months of the end of the financial year to, inter alia, consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the Board, to elect directors, appoint auditors and to set their remuneration.

### ***Principle Eleven: Conflicts of Interest***

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

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

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

Moreover, the Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or

proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction (unless the Board finds no objection to the presence of such Director with conflict of interest).

### ***Principle Twelve: Corporate Social Responsibility***

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

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 2023, 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 Puttini 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.

### ***General Meetings***

The manner in which the general meeting is conducted is outlined in Articles 11 - 13 of the Company's Articles of Association, subject to the provisions of the Companies Act, the Prospects MTF Rules and the Capital Markets Rules.

As explained under Principles 9 and 10, within 4 months of the financial year end, the Annual General Meeting of the shareholders shall be convened to, inter alia, deal with 'ordinary business' including the adoption of the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the Board, to elect directors if necessary, appoint auditors and to set their remuneration.

A presentation is given to the shareholders present detailing the Company's performance and an assessment of the future prospects is given.

## **CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – continued**

### ***General Meetings – continued***

In addition, and in terms of Article 11.3 of the Articles of Association of the Company, the Board may convene an extraordinary general meeting whenever is deemed fit.

In accordance with Article 12.1 of the Articles of Association, notice of any General Meeting shall be given to all members of the Company, to all Directors, and to the auditors of the Company. Adequate notice of general meetings must be given as specified in the Company's Articles of Association and in the Capital Markets Rules.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Capital Markets Rules and the Articles of Association of the Company have the right to attend, participate and vote in the general meetings. A shareholder who cannot participate in the general meeting can appoint a proxy in accordance with the instructions set forth in the notice convening the general meeting, and such proxy must be received by the Company at least 24 hours before the time of the general meeting.

### ***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 a remuneration committee and a nomination committee in line with Code Provisions 8A and 8B, respectively. 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.

***Signed by Benjamin Muscat (Chairman) and Joseph Pace (Executive Director) on 28 March 2024.***

# REMUNERATION REPORT

## Remuneration Policy

In compliance with Capital Markets Rule 12.26A of the Capital Markets Rules (CMR), the Board of Directors of the Company has established a remuneration policy (the "Policy") that will be submitted for the approval of the shareholders during the forthcoming annual general meeting (AGM).

The proposed Policy aims to ensure equitable and competitive compensation for all Directors, Key Managerial Personnel and employees, based on individual performance, industry benchmarks and the overall performance of the Company. The oversight and implementation of the Policy is the ultimate responsibility of the Board of Directors. As outlined in the Prospectus relating to the Company's IPO Listing, due to the nature, size and complexity of the Company's operations, the size and volume of transactions, and the number of Company staff, and since the remuneration paid to the Directors is not performance related, the Company has not set up a remuneration committee and all duties are borne by the Board of Directors.

The key considerations in determining the remuneration for Company officers and employees, as stipulated in the Policy, include their qualifications, experience, expertise, prevailing industry compensation norms, and the financial position of the Company.

Contracts for Directors of the Company terminate upon the Director resigning from his/her position by giving the Company not less than one (1) month written notice, or upon his/her removal from his/her position as director by the shareholders in accordance with the Articles of Association and the Companies Act (Chapter 386 of the Laws of Malta), or upon expiration of his/her term of office as Director in accordance with the Articles of Association. If the Director is re-appointed to a further term/s of office as Director, his/her appointment to the Board of Directors shall be automatically extended and shall terminate upon the Director's resignation or removal from his/her position as Director or upon expiration of such further term/s of office as Director. No termination fees are payable to Directors upon the termination of their tenure.

## Remuneration payable to Directors

The CMR also require the Company to prepare a remuneration report (the "Report") in accordance with the criteria outlined in Appendix 12.1 'Information to be provided in the Remuneration Report' of the said CMR. In view that the Company's shares were admitted to listing in May 2023, the reporting period which ended 31 December 2023, is the first full financial year since the Company's listing.

In accordance with the requirements under the CMR, the Company will be submitting the Report to the shareholders at the forthcoming AGM. In view that the Company qualifies as a small or medium-sized company, as defined in Article 3 (2) and (3) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, the Report must be submitted for discussion at the AGM.

The remuneration payable to Directors is determined by the Company in the general meeting. During the preceding AGM of the Company held on the 21 July 2023, the general meeting set the maximum annual aggregate emoluments payable to the Directors of the Company and its subsidiary entities (the "Group") at €313,848. Despite the established threshold, the total sum disbursed as remuneration to the Directors of the Group amounted to €274,990 for 2023.

## REMUNERATION REPORT – continued

### Remuneration payable to Directors – continued

For the purposes of Appendix 12.1 of Chapter 12 of the CMR and Rule 8.A.5 of the Code of Principles of Good

Corporate Governance (the “Code”), the following amounts were paid by the Group to the Directors during the financial year 2023:

Name of Directors	Position	Annual remuneration (Gross)			
		Fixed	Variable	Share Option	Total
Mr Benjamin Muscat	Chairman and Non-Executive, Independent Director	€16,626	Nil	Nil	€16,626
Mr Charles Scerri	Non-Executive Independent Director	€14,000	Nil	Nil	€14,000
Dr Kevin Deguara	Non-Executive Director	€61,091	Nil	Nil	€61,091
Mr Ivan Calleja	Executive Director	€61,091	Nil	Nil	€61,091
Mr Joseph Pace	Executive Director	€61,091	Nil	Nil	€61,091
Mr Manuel Piscopo	Executive Director	€61,091	Nil	Nil	€61,091

The fees set forth above are inclusive of the remuneration payable to the directors for their appointment to the Company’s audit committee.

receive their remuneration for directorship services rendered to the Group from The Convenience Shop (Management) Limited (C 8771 1) (“TCSM”), a fully-owned subsidiary entity of the Company.

For clarification purposes, only Mr Benjamin Muscat and Mr Charles Scerri receive their remuneration from the Company. Mr Ivan Calleja (Executive Director), Mr Joseph Pace (Executive Director), Mr Manuel Piscopo (Executive Director), and Dr Kevin Deguara (Non-Executive Director)

For 2022, the total emoluments payable by the Group to the directors (inclusive of fees payable for their appointment to the Company’s audit committee) were as follows:

Name of Directors	Position	Annual remuneration (Gross)			
		Fixed	Variable	Share Option	Total
Mr Benjamin Muscat	Chairman and Non-Executive, Independent Director	€14,317	Nil	Nil	€14,317
Mr Charles Scerri	Non-Executive Independent Director	€10,000	Nil	Nil	€10,000
Dr Kevin Deguara	Non-Executive Director	€60,854	Nil	Nil	€60,854
Mr Ivan Calleja	Executive Director	€60,854	Nil	Nil	€60,854
Mr Joseph Pace	Executive Director	€60,854	Nil	Nil	€60,854
Mr Manuel Piscopo	Executive Director	€60,854	Nil	Nil	€60,854

For the purposes of CMR 8.A.4.1, the remuneration structure for Directors of the Company and its subsidiary entities is established as a fixed annual amount and does not include any performance-related remuneration such as share options, pension benefits, profit sharing and any other emoluments related to the performance of the Company or its subsidiaries. The fees payable to the

Directors have been determined on the basis of their time commitment, contribution and ongoing responsibilities towards the Company and its subsidiary entities. Given the organisational structure of the Group, and the fact that the Company’s primary assets are its investments in its operating subsidiaries, the Board of Directors considers fixed remuneration as the appropriate for Director compensation.

## REMUNERATION REPORT – continued

### Remuneration payable to Senior Executives and employees

Mr Benjamin Muscat and Mr Charles Scerri constitute the only two (2) employees of the Company. All other personnel engaged in the Group's operations are employed by subsidiary entities of the Company and receive their remuneration from their respective employer/s.

For the purposes of Rule 8.A.4.9 of the Code, the Chief Executive Officer of the Group is employed with TCSM. The total gross emoluments paid to the Chief Executive Officer for the year under review included €104,078 by way of fixed remuneration and €50,000 by way of variable remuneration.

### Contents of the Remuneration Report

The contents of this Report have been reviewed by the external auditor to ensure that the information required in terms of Appendix 12.1 of the Capital Markets Rules has been included.

# **The Convenience Shop (Holding) plc**

## Financial Statements for the year ended 31 December 2023

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	Group		Company	
		2023	2022	2023	2022
		€	€	€	€
Revenue	4	46,703,341	42,430,703	2,231,037	1,822,382
Cost of sales		(39,865,879)	(36,367,008)	–	–
<b>Gross profit</b>		<b>6,837,462</b>	<b>6,063,695</b>	<b>2,231,037</b>	<b>1,822,382</b>
Administrative expenses		(3,817,886)	(3,025,692)	(196,929)	(217,065)
<b>Operating profit</b>	5	<b>3,019,576</b>	<b>3,038,003</b>	<b>2,034,108</b>	<b>1,605,317</b>
Other income	7	907,766	396,116	60,000	60,000
Finance costs	8	(824,488)	(972,455)	(251,544)	(353,589)
Finance income	9	–	–	318,500	318,500
Gain on disposal of subsidiaries		–	130,596	–	56,903
<b>Profit before tax</b>		<b>3,102,854</b>	<b>2,592,260</b>	<b>2,161,064</b>	<b>1,687,131</b>
Tax expense	10	(470,679)	(672,474)	(460,125)	(376,923)
<b>Profit for the year</b>		<b>2,632,175</b>	<b>1,919,786</b>	<b>1,700,939</b>	<b>1,310,208</b>
<b>Profit for the year is attributable to:</b>					
Non-controlling interest		7,124	32,085	–	–
Owners of the Company		2,625,051	1,887,701	1,700,939	1,310,208
		<b>2,632,175</b>	<b>1,919,786</b>	<b>1,700,939</b>	<b>1,310,208</b>
Basic earnings per share	22	<b>0.54</b>	2.90	<b>0.35</b>	1.98

The notes on pages 37 to 65 are an integral part of these consolidated financial statements.



# STATEMENTS OF FINANCIAL POSITION

As at 31 December

	Notes	Group		Company	
		2023	2022	2023	2022
		€	€	€	€
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	4,051,924	3,623,805	–	–
Intangible assets	12	13,493,677	13,466,508	4,000,000	4,000,000
Right-of-use asset	13	10,805,122	8,789,274	–	–
Investment in subsidiaries	14	–	–	171,347	171,347
Investment in associates	15	–	–	1,688	1,688
Loans receivable	16	–	–	2,160,359	3,889,000
Deferred tax asset	10	195,573	–	–	–
<b>Total non-current assets</b>		<b>28,546,296</b>	<b>25,879,587</b>	<b>6,333,394</b>	<b>8,062,035</b>
<b>Current assets</b>					
Inventories	17	3,197,815	3,160,035	–	–
Trade and other receivables	18	4,860,408	3,366,161	6,574,602	3,711,920
Cash at bank and in hand	25	2,185,078	1,211,241	186,003	4,730
Current tax receivable		–	–	67,389	16,283
<b>Total current assets</b>		<b>10,243,301</b>	<b>7,737,437</b>	<b>6,827,994</b>	<b>3,732,933</b>
<b>TOTAL ASSETS</b>		<b>38,789,597</b>	<b>33,617,024</b>	<b>13,161,388</b>	<b>11,794,968</b>

**STATEMENTS OF FINANCIAL POSITION – continued**  
As at 31 December

	Notes	Group		Company	
		2023	2022	2023	2022
		€	€	€	€
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to ordinary equity holders of the Company</b>					
Share capital	19	4,928,000	4,768,000	4,928,000	4,768,000
Share premium		1,539,087	729,087	1,539,087	729,087
Retained earnings		3,341,208	2,190,175	1,255,522	1,016,602
		<b>9,808,295</b>	<b>7,687,262</b>	<b>7,722,609</b>	<b>6,513,689</b>
Non-controlling interest		(19,362)	(26,486)	–	–
<b>TOTAL EQUITY</b>		<b>9,788,933</b>	<b>7,660,776</b>	<b>7,722,609</b>	<b>6,513,689</b>
<b>Non-current liabilities</b>					
Borrowings	20	5,962,537	5,706,484	4,848,616	4,824,262
Lease liabilities	23	11,268,947	9,168,582	–	–
Trade and other payables	24	223,468	352,268	–	–
Deferred tax liability	10	–	155,842	–	–
<b>Total non-current liabilities</b>		<b>17,454,952</b>	<b>15,383,176</b>	<b>4,848,616</b>	<b>4,824,262</b>
<b>Current liabilities</b>					
Current tax payable		346,454	152,635	–	–
Borrowings	20	482,421	138,490	–	–
Bank overdraft	25	4	9,941	–	–
Lease liabilities	23	838,587	740,677	–	–
Trade and other payables	24	9,878,246	9,531,329	590,163	457,017
<b>Total current liabilities</b>		<b>11,545,712</b>	<b>10,573,072</b>	<b>590,163</b>	<b>457,017</b>
<b>TOTAL LIABILITIES</b>		<b>29,000,664</b>	<b>25,956,248</b>	<b>5,438,779</b>	<b>5,281,279</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38,789,597</b>	<b>33,617,024</b>	<b>13,161,388</b>	<b>11,794,968</b>

The notes on pages 37 to 65 are an integral part of these consolidated financial statements.

*The financial statements on pages 30 to 65 were approved and authorised for issue by the Board of Directors on 28 March 2024. The financial statements were signed on behalf of the Company's Board of Directors by Benjamin Muscat (Chairman) and Joseph Pace (Executive Director) as per the Directors' Declaration on ESEF Annual report submitted in conjunction with the Annual report 2023.*

## STATEMENTS OF CHANGES IN EQUITY

THE GROUP		Share capital €	Share premium €	Retained earnings €	Non- controlling interest €	Total €
	Notes					
Balance at 1 January 2022		70,000	2,187,924	927,474	(58,571)	3,126,827
<b>Comprehensive income</b>						
Profit for the year		–	–	1,887,701	32,085	1,919,786
<b>Transactions with owners</b>						
Issuance of share capital		4,698,000	(1,458,837)	–	–	3,239,163
Dividends paid	21	–	–	(625,000)	–	(625,000)
<b>Total transactions with owners</b>		<b>4,698,000</b>	<b>(1,458,837)</b>	<b>(625,000)</b>	<b>–</b>	<b>2,614,163</b>
<b>Balance at 31 December 2022</b>		<b>4,768,000</b>	<b>729,087</b>	<b>2,190,175</b>	<b>(26,486)</b>	<b>7,660,776</b>
Balance at 1 January 2023		4,768,000	729,087	2,190,175	(26,486)	7,660,776
<b>Comprehensive income</b>						
Profit for the year		–	–	2,625,051	7,124	2,632,175
<b>Transactions with owners</b>						
Issuance of share capital		160,000	810,000	–	–	970,000
Dividends paid	21	–	–	(1,474,018)	–	(1,474,018)
<b>Total transactions with owners</b>		<b>160,000</b>	<b>810,000</b>	<b>(1,474,018)</b>	<b>–</b>	<b>(504,018)</b>
<b>Balance at 31 December 2023</b>		<b>4,928,000</b>	<b>1,539,087</b>	<b>3,341,208</b>	<b>(19,362)</b>	<b>9,788,933</b>

## STATEMENT OF CHANGES IN EQUITY – continued

THE COMPANY		Share capital	Share premium	Retained earnings	Total
	Notes	€	€	€	€
Balance at 1 January 2022		70,000	2,187,924	331,394	2,589,318
<b>Comprehensive income</b>					
Profit for the year		-	-	1,310,208	1,310,208
<b>Transactions with owners</b>					
Dividends paid	21	-	-	(625,000)	(625,000)
Issuance of share capital		4,698,000	(1,458,837)	-	3,239,163
<b>Total transactions with owners</b>		<b>4,698,000</b>	<b>(1,458,837)</b>	<b>(625,000)</b>	<b>2,614,163</b>
<b>Balance at 31 December 2022</b>		<b>4,768,000</b>	<b>729,087</b>	<b>1,016,602</b>	<b>6,513,689</b>
Balance at 1 January 2023		4,768,000	729,087	1,016,602	6,513,689
<b>Comprehensive income</b>					
Profit for the year		-	-	1,700,939	1,700,939
<b>Transactions with owners</b>					
Issuance of share capital		160,000	810,000	-	970,000
Dividends paid	21	-	-	(1,462,019)	(1,462,019)
<b>Total transactions with owners</b>		<b>160,000</b>	<b>810,000</b>	<b>(1,462,019)</b>	<b>(492,019)</b>
<b>Balance at 31 December 2023</b>		<b>4,928,000</b>	<b>1,539,087</b>	<b>1,255,522</b>	<b>7,722,609</b>

The notes on pages 37 to 65 are an integral part of these consolidated financial statements.

# STATEMENTS OF CASH FLOWS

For the year ended 31 December

Notes	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
<b>Cash flows from operating activities</b>				
Receipts from customers	45,031,858	41,877,088	–	–
Payments to suppliers and employees	(41,205,583)	(36,810,834)	(202,879)	(376,060)
Other revenue	907,731	396,115	128,689	1,444,329
Interest paid	(15,263)	(44,596)	(1,544)	(99)
Income tax paid	(628,275)	(1,914,493)	(484,615)	(416,388)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>4,090,468</b>	<b>3,503,280</b>	<b>(560,349)</b>	<b>651,782</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(1,211,196)	(588,024)	–	–
Acquisition of intangible assets	(155,000)	(221,529)	–	–
Payments to acquire business	(128,800)	(10,389)	–	–
Repayment of advances to subsidiary	–	–	1,483,641	546,956
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(1,494,996)</b>	<b>(819,942)</b>	<b>1,483,641</b>	<b>546,956</b>
<b>Cash flows from financing activities</b>				
Proceeds/(repayments) from interest-bearing loans	538,692	(183,402)	–	–
Proceeds from issuance of share capital	970,000	–	970,000	–
Repayment of advances from shareholders	–	(494,227)	–	(494,227)
Payment of lease liabilities	(1,396,372)	(1,191,759)	–	–
Interest on borrowings	–	(103,490)	–	(103,490)
Interest on bond	(250,000)	(250,000)	(250,000)	(250,000)
Dividends paid	(1,474,018)	(625,000)	(1,462,019)	(625,000)
<b>Net cash flows used in financing activities</b>	<b>(1,611,698)</b>	<b>(2,847,878)</b>	<b>(742,019)</b>	<b>(1,472,717)</b>
<b>Net cash increase/(decrease) in cash and cash equivalents</b>	<b>983,774</b>	<b>(164,540)</b>	<b>181,273</b>	<b>(273,979)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,201,300</b>	<b>1,365,840</b>	<b>4,730</b>	<b>278,709</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,185,074</b>	<b>1,201,300</b>	<b>186,003</b>	<b>4,730</b>

The notes on pages 37 to 65 are an integral part of these consolidated financial statements.

# 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, Żebbuġ ŻBĠ 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 2023.

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## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are material to the consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

### Basis of preparation

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

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

The accounting policies that are material to the consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

### Presentation and functional currency

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

### New or amended accounting standards and interpretations adopted

The following amended standards became applicable for the current reporting period:

*Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies*

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term ‘significant’ was replaced with ‘material’ in the context of disclosing accounting policy information. In

assessing the materiality of the accounting policy information the Group and company considers the size of transactions, other events or conditions and their nature.

*Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction*

Prior to the amendments, there had been some uncertainty about whether the IAS 12 exemption from recognising deferred tax applied to transactions for which companies recognise both an asset and liability, for example leases. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The Group and the Company now discloses the deferred tax on lease liabilities and right-of-use assets separately arising from the application of IFRS 16.

The Group and company adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (‘IASB’) and the IFRS Interpretations Committee and endorsed by the EU that are mandatory for the current reporting period. The adoption of these amendments to the requirements of IFRS Accounting Standards as adopted by the EU did not result in substantial changes to the group and company’s accounting policies impacting the Group and Company’s financial performance and position.

### New or amended Accounting Standards and Interpretations issued but not yet effective

Any new or amended Accounting Standards or Interpretations that were in issue and endorsed by the EU but not yet effective for the current financial year, have not been early adopted. The directors are of the opinion that the adoption of the new, amended accounting standards or interpretations will not have a significant impact on the group and company’s current or future reporting periods and on foreseeable future transactions.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2. MATERIAL ACCOUNTING POLICY INFORMATION – 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, directly or indirectly. 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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary

acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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.

Accounting policies of subsidiaries are consistent with the policies adopted by the group.

These consolidated financial statements comprise the parent company and its subsidiaries. Subsidiaries that were consolidated are listed in notes 14 and 15 to these financial statements.

#### Revenue

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

##### *Sale of goods*

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

##### *Rendering of services*

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

##### *Interest income*

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

#### Tax

The tax charge/(credit) in profit or loss comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, and any adjustments to tax payable in respect of previous years.

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**2. MATERIAL ACCOUNTING POLICY INFORMATION – continued**

**Tax – continued**

Deferred income 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 and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Under this method, the group is required to make provision for deferred income taxes on the revaluation of certain property assets and provisions on the difference between the carrying value for financial reporting purposes and their tax base.

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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Property, plant and equipment**

An item of property, plant and equipment is 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Assets in the course of construction are not depreciated. 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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. 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.

**Intangible assets**

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.

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

Amortisation of intangible assets with finite useful lives is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life.

The estimated useful lives, residual values, and amortisation method of intangible assets are reviewed at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of an intangible asset, the cost and related accumulated amortisation and impairment losses, if any are derecognised and the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at fair value at the date of acquisition.



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2. MATERIAL ACCOUNTING POLICY INFORMATION – continued

#### Intangible assets – continued

##### *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.

#### Leases

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the Group.

##### *Right-of-use asset*

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 liabilities*

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.

#### 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.

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2. MATERIAL ACCOUNTING POLICY INFORMATION – continued

#### 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.

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 recognised 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 recognised 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.

#### 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 Group and parent Company classifies its financial assets in the amortised cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### 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.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 2. MATERIAL ACCOUNTING POLICY INFORMATION – continued

#### Financial instruments – continued

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

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

#### *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. The resulting impairment allowance is insignificant to the company's financial position and results.

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).

For trade receivables, the group and the company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 18 for further details.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment losses are insignificant.

#### *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.

The group derecognises as a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires. 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 liabilities and trade and other payables.

#### **Segment reporting**

The operations of the Group determines and presents consist of three operating segments based on the information that internally is provided to – the Board retailing of Directors, which is food and beverage items, the Group's chief importation of food and beverage items for the outlets operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues under The Convenience Shop brand, and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results the provision of selected services to support the retail network. These operations are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to carried out entirely on the local market. The board of directors assesses the segment and to assess its performance executing on an outlet-by-outlet level since revenue is largely driven by the function of significant numbers of consumers buying the chief operating decision maker range of products through its entire network of shops.

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**2. MATERIAL ACCOUNTING POLICY INFORMATION – continued**

**Segment reporting – continued**

The operating segments relating to importation and the provision of services do not meet any of the quantitative thresholds laid out in the relevant accounting standards to be considered reportable, and separately disclosed. Furthermore, management believes that these operating segments can be aggregated with the retailing of food

and beverage items operating segment given that the three operating segments have similar economic characteristics and share a majority of the aggregation criteria laid out in IFRS 8 Operating Segments. The aggregated financial performance of the three segments is represented in the Consolidated Statement of Comprehensive Income.

**3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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 2, 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 2.

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.

**4. REVENUE**

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Dividend income	–	–	1,384,615	1,076,923
Royalty fee income	–	–	846,422	745,459
Sale of goods	41,938,625	38,379,516	–	–
Fees, commissions and other revenue	4,764,716	4,051,187	–	–
	<b>46,703,341</b>	<b>42,430,703</b>	<b>2,231,037</b>	<b>1,822,382</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 5. OPERATING PROFIT

The operating profit is stated after charging:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Employee benefit expense (Note 6)	5,095,030	4,878,521	35,800	58,628
Directors' remuneration	310,732	267,733	30,626	24,318
Auditors' remuneration	37,450	36,538	14,500	12,500
Non-assurance services – Tax compliance services	3,100	3,100	600	600
Depreciation of property, plant and equipment (Note 11)	784,077	715,756	–	–
Depreciation of right of use asset (Note 13)	1,007,549	951,932	–	–
Amortisation of intangible assets (Note 12)	127,831	132,640	–	–

### 6. EMPLOYEE BENEFIT EXPENSE

Employee benefit expense incurred during the year were as follows:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Salaries and wages	4,786,119	4,594,900	34,152	56,209
Social security costs	299,278	274,433	1,600	2,349
Maternity fund contribution	9,633	9,188	48	70
	5,095,030	4,878,521	35,800	58,628

The average number of persons employed by the Group and Company during the year were 281 and 2 respectively

(2022: 241 employees for Group and 1 employee for Company).

### 7. OTHER INCOME

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Commission income	45,520	55,133	–	–
Rental income	596,682	219,261	–	–
Government grants	16,432	3,751	–	–
Other income	249,132	117,971	–	–
Management fee	–	–	60,000	60,000
	907,766	396,116	60,000	60,000

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 8. FINANCE COSTS

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Interest expense on bonds payable (Note 20)	250,000	250,000	250,000	250,000
Interest expense on bank loan (Note 20)	44,739	45,801	–	–
Interest expense on shareholders loan (Note 20)	–	103,589	–	103,589
Interest expense on lease liabilities (Note 23)	522,287	531,629	–	–
Other interest and financing expenses	7,462	41,436	1,544	–
	<b>824,488</b>	<b>972,455</b>	<b>251,544</b>	<b>353,589</b>

### 9. FINANCE INCOME

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Interest income from loans receivable (Note 16)	–	–	318,500	318,500
	<b>–</b>	<b>–</b>	<b>318,500</b>	<b>318,500</b>

### 10. TAX EXPENSE

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current tax charge	822,093	608,112	460,125	376,923
Deferred tax (credit)/charge	(351,415)	64,362	–	–
	<b>470,679</b>	<b>672,474</b>	<b>460,125</b>	<b>376,923</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 10. TAX EXPENSE – continued

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Profit before tax	<b>3,102,854</b>	2,592,260	<b>2,161,064</b>	1,687,131
Tax on profit at 35%	<b>1,085,999</b>	907,291	<b>756,372</b>	590,496
Non-deductible expenses	<b>80,752</b>	170,190	–	13,231
Difference between tax base and carrying amounts of property, plant and equipment	<b>(5,175)</b>	4,686	–	–
Intangible assets amortisation tax benefit	<b>(296,248)</b>	(280,000)	<b>(296,247)</b>	(280,000)
Absorbed tax losses	<b>(37,545)</b>	(45,452)	–	–
Gain on disposal of subsidiaries	–	–	–	(19,917)
Group loss relief	–	–	–	73,113
Absorbed capital allowances	<b>(668)</b>	(26,085)	–	–
Unabsorbed capital allowances	<b>44,753</b>	(58,156)	–	–
Other differences between accounting and tax deductible items of expenditure	<b>(401,189)</b>	–	–	–
	<b>470,679</b>	672,474	<b>460,125</b>	376,923

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax

rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2022: 35%). The movement on the deferred tax account is as follows:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
At the beginning of the year	<b>(155,842)</b>	(91,480)	–	–
Credited/(charged) to profit or loss	<b>351,415</b>	(64,362)	–	–
At the end of year	<b>195,573</b>	(155,842)	–	–

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 10. TAX EXPENSE – continued

The balance as at 31 December represents:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Tax effect on temporary differences arising from:				
Differences between tax base and carrying amounts of fixed assets	(244,901)	(155,842)	-	-
Difference arising from leases	433,550	-	-	-
Provision on doubtful debts	6,924	-	-	-
	<b>195,573</b>	<b>(155,842)</b>	<b>-</b>	<b>-</b>

Deferred taxation is principally composed of deferred tax assets and liabilities which are to be recovered and settled after more than twelve months.

As at 31 December 2023, the Group had a potential deferred tax asset of €211,139 (2022: €143,899)

emanating from unabsorbed capital allowances, unutilised tax losses and differences in the carrying amount and tax base of fixed assets relating to two of the group companies. This amount has not been recognised in the statement of financial position since the directors do not consider it prudent to recognise such asset.

### 11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Improvements to premises	Plant and machinery	Office equipment	Motor vehicles	Total
	€	€	€	€	€
<b>Cost</b>					
As at 1 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 subsidiaries	-	(277,743)	(21,718)	(19,203)	(318,664)
<b>Balance at 31 December 2022</b>	<b>3,670,709</b>	<b>2,190,352</b>	<b>1,247,644</b>	<b>60,009</b>	<b>7,168,714</b>
<b>Accumulated depreciation</b>					
As at 1 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 subsidiaries	-	208,058	20,040	19,203	247,301
<b>Balance at 31 December 2022</b>	<b>(1,754,273)</b>	<b>(1,006,839)</b>	<b>(744,447)</b>	<b>(39,350)</b>	<b>(3,544,909)</b>
<b>Carrying amount</b>					
<b>At 31 December 2022</b>	<b>1,916,436</b>	<b>1,183,513</b>	<b>503,197</b>	<b>20,659</b>	<b>3,623,805</b>



**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**11. PROPERTY, PLANT AND EQUIPMENT – continued**

THE GROUP	Improvements to premises €	Plant and machinery €	Office equipment €	Motor vehicles €	Asset under construction €	Total €
<b>Cost</b>						
As at 1 January 2023	3,670,709	2,190,352	1,247,644	60,009	–	7,168,714
Additions	164,083	413,591	291,024	22,850	320,648	1,212,196
<b>Balance at 31 December 2023</b>	<b>3,834,792</b>	<b>2,603,943</b>	<b>1,538,668</b>	<b>82,859</b>	<b>320,648</b>	<b>8,380,910</b>
<b>Accumulated depreciation</b>						
As at 1 January 2023	(1,754,273)	(1,006,839)	(744,447)	(39,350)	–	(3,544,909)
Depreciation	(356,689)	(218,274)	(197,263)	(11,851)	–	(784,077)
<b>Balance at 31 December 2023</b>	<b>(2,110,962)</b>	<b>(1,225,113)</b>	<b>(941,710)</b>	<b>(51,201)</b>	<b>–</b>	<b>(4,328,986)</b>
<b>Carrying amount</b>						
<b>At 31 December 2023</b>	<b>1,723,830</b>	<b>1,378,830</b>	<b>596,958</b>	<b>31,658</b>	<b>320,648</b>	<b>4,051,924</b>

**12. INTANGIBLE ASSETS**

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

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**12. INTANGIBLE ASSETS – continued**

THE GROUP	Goodwill	Suppliers agreements	Intellectual property	Key money	Total
	€	€	€	€	€
<b>Cost</b>					
As at 1 January 2023	5,124,870	3,099,647	4,000,000	1,589,950	13,814,467
Additions	–	–	–	155,000	155,000
<b>Balance at 31 December 2023</b>	<b>5,124,870</b>	<b>3,099,647</b>	<b>4,000,000</b>	<b>1,744,950</b>	<b>13,969,467</b>
<b>Accumulated amortisation</b>					
As at 1 January 2023	–	–	–	(347,959)	(347,959)
Amortisation	–	–	–	(127,831)	(127,831)
<b>Balance at 31 December 2023</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(475,790)</b>	<b>(475,790)</b>
<b>Carrying amount at 31 December 2023</b>	<b>5,124,870</b>	<b>3,099,647</b>	<b>4,000,000</b>	<b>1,269,160</b>	<b>13,493,677</b>

**THE COMPANY**

**Intellectual property**

**Cost and carrying amount**

As at 31 December 2022 and 31 December 2023	4,000,000
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## NOTES TO THE FINANCIAL STATEMENTS – continued

### 13. 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 year, the Group 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

	<b>Total</b>
	<b>€</b>
<b>Cost</b>	
As at 1 January 2022	11,866,151
Release on disposal of investment in subsidiaries	(483,007)
Additions	805,931
Lease modification	(131,995)
<b>Balance at 31 December 2022</b>	<b>12,057,080</b>
<b>Accumulated depreciation</b>	
As at 1 January 2022	(2,416,011)
Release on disposal of investment in subsidiaries	22,554
Depreciation	(951,932)
Lease modification	77,583
<b>Balance at 31 December 2022</b>	<b>(3,267,806)</b>
<b>Carrying amount</b>	
<b>At 31 December 2022</b>	<b>8,789,274</b>
<b>Cost</b>	
As at 1 January 2023	12,057,080
Additions	3,178,011
Closure of outlets	(77,438)
Lease modification	(271,112)
<b>Balance at 31 December 2023</b>	<b>14,886,541</b>
<b>Accumulated depreciation</b>	
As at 1 January 2023	(3,267,806)
Depreciation	(1,007,549)
Closure of outlets	77,438
Lease modification	116,498
<b>Balance at 31 December 2023</b>	<b>(4,081,419)</b>
<b>Carrying amount</b>	
<b>At 31 December 2023</b>	<b>10,805,122</b>

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**14. INVESTMENT IN SUBSIDIARIES**

	2023	Company	
		2023	2022
	% of shares held	€	€
<b>At cost:</b>			
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
Daily Retail Challenges (Note vi)	80	960	960
Aynic & Co Limited (Note vii)	100	67,988	67,988
		<b>171,347</b>	<b>171,347</b>

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 this 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 this 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****14. INVESTMENT IN SUBSIDIARIES – continued**

The following summarises the financial position and performance of the Company’s subsidiaries as at and for the year ended 31 December 2022 and 31 December 2023:

**31 December 2022**

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

**31 December 2023**

<b>Subsidiaries</b>	<b>Registered Office</b>	<b>Capital and reserves</b>	<b>Profit/(loss) for the year</b>
		<b>€</b>	<b>€</b>
The Convenience Shop Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	1,448,307	1,607,528
The Convenience Shop for Puttinu Cares Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	65,749	64,477
The Convenience Shop (Management) Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	1,609,862	438,776
Daily Retail Challenges Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	(74,716)	149,681
Aynic & Co. Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	(514,829)	(198,763)

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**15. INVESTMENT IN ASSOCIATES**

	Company		
	2023	2023	2022
	% of shares held	€	€
<b>At cost:</b>			
Seafront Express Limited (Note i)	50	1,688	1,688
		<u>1,688</u>	<u>1,688</u>

- 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, therefore it is being consolidated at group level.
- ii. On 14 November 2022 the Group disposed off its investment in subsidiaries Gbake Manufacturing Limited and Gbake Retail Limited. Consequently, investments in GNJ Company Limited, GNG Manufacturing Ltd and JNG Company Limited were derecognised.

The following summarizes the financial position and performance of the Company's associates as at and for the year ended 31 December 2022 and 31 December 2023:

**31 December 2022**

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

**31 December 2023**

Associates	Registered Office	Capital and reserves €	Profit/ (loss) for the year €
Seafront Express Limited	Marant Food Products, Mdina Road, Żebbuġ ŻBG 9017, Malta	(61,298)	3,089

- 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 1 November 2018.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 16. LOANS RECEIVABLE

	Company	
	2023	2022
	€	€
Loan to subsidiary	<b>2,160,359</b>	3,889,000

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 (2022: €318,500).

The Company's exposure to credit risk relating to loans receivable is disclosed in Note 29.

### 17. INVENTORIES

	Group	
	2023	2022
	€	€
Fast moving consumer goods	<b>3,318,110</b>	3,329,690
Shop fittings	<b>62,978</b>	42,659
Stock provision	<b>(183,273)</b>	(212,314)
	<b>3,197,815</b>	3,160,035

### 18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Trade receivables	<b>1,673,219</b>	1,016,246	–	–
Amounts owed by subsidiaries (Note i)	–	–	<b>5,924,147</b>	3,288,737
Prepayments	<b>312,588</b>	199,610	<b>13,655</b>	10,155
Deposits	<b>226,119</b>	–	–	–
VAT receivable	<b>55,342</b>	20,989	–	–
Other receivables	<b>2,325,416</b>	1,746,710	–	–
Dividends receivable	–	–	<b>600,000</b>	320,138
Amounts owed by related parties (Note i)	<b>236,157</b>	349,454	<b>36,800</b>	92,890
Accrued income	<b>31,567</b>	33,152	–	–
	<b>4,860,408</b>	3,366,161	<b>6,574,602</b>	3,711,920

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

ii. The Group's and Company's exposure to credit and currency risk and impairment losses relating to trade and other receivables is disclosed in Note 29.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 19. SHARE CAPITAL

	Group and Company	
	2023	2022
	€	€
<b>Authorised</b>		
625,000,000 ordinary shares of €0.16 each	<b>100,000,000</b>	100,000,000
<b>Issued and fully paid up</b>		
30,800,000 (2022: 29,800,000) ordinary shares of €0.16 (2022: €0.16) each	<b>4,928,000</b>	4,768,000

The ordinary shares carry identical voting rights at general meeting of the Group and Company, are equally entitled to any distribution of dividends, and all classes of shares rank

equally for any residual assets of the Group and Company after the settlement of all liabilities in the event of the winding up.

### 20. BORROWINGS

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
<b>Non-current</b>				
Bank loan (Note i)	<b>1,113,921</b>	882,222	–	–
Bonds payable (Note ii)	<b>4,848,616</b>	4,824,262	<b>4,848,616</b>	4,824,262
	<b>5,962,537</b>	5,706,484	<b>4,848,616</b>	4,824,262
<b>Current</b>				
Bank loan (Note i)	<b>482,421</b>	138,490	–	–
	<b>482,421</b>	138,490	–	–

i. The Group has the following bank loans:

The Convenience Shop Limited has the following banking facilities:

- €145,284 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 3.50% interest and is to be repaid over a period of 10 years. As at 31 December 2023 €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**  
**20. BORROWINGS – continued**

- ii. On 25 August 2023, The Convenience Shop Limited entered into an Energy Loan Facility Agreement with Bank of Valetta for the amount of € 437,600 with annual interest of 5.15% and repayable over a period not exceeding 3 years and 9 months. The Convenience Shop Limited is eligible to a interest rate subsidy of 5.15% on the interest paid for the first 10 years from drawdown. The facility is secured by a pledge from The Convenience Shop (Management) Limited and guarantees from related parties and third parties. As at 31 December, € 408,327 of the Energy Loan have been utilised.
- iii. On 25 August 2023, The Convenience Shop Limited also entered into a Business Loan facility agreement with Bank of Valletta for the amount of €400,000 with annual interest of 5.65 % and repayable within 7 years and 6 months with a 6-month moratorium period. This facility has not been used by end of the financial year under review.
- iv. On 25 August 2023, The Convenience Shop (Management) Limited entered into an Energy Loan Facility Agreement with Bank of Valetta with annual interest of 5.15% and repayable over a period not exceeding 3 years and 9 months. The Convenience Shop (Management) Limited is eligible to a interest rate subsidy of 5.15% on the interest paid for the first 10 years from drawdown. The facility is secured by a pledge from The Convenience Shop (Management) Limited and guarantees from related parties and third parties.
- v. On 25 August 2023, The Convenience Shop (Management) also entered into a Business Loan facility agreement with Bank of Valletta for the amount of €100,000 with annual interest of 5.65 % and repayable within seven years and 6 months with a 6-month moratorium period. This facility has not been used by end of 2023.
- vi. 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 8 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 8 March 2026 and 8 March 2029.
- vii. The Group and Company's exposure to liquidity risk relating to loans is disclosed in Note 29.

**21. DIVIDENDS**

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
<b>Gross of income tax</b>				
Ordinary shares dividend	<b>2,267,722</b>	625,000	<b>2,249,260</b>	625,000
<b>Net of income tax</b>				
Ordinary shares dividend	<b>1,474,018</b>	625,000	<b>1,462,019</b>	625,000
<b>Net dividend per share</b>	<b>0.05</b>	0.02	<b>0.05</b>	0.02

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 22. 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	
	2023	2022	2023	2022
Profit attributable to ordinary equity holders	<b>€2,632,175</b>	€1,919,786	<b>€1,700,939</b>	€1,310,208
Issued Ordinary Shares at 1 January	<b>4,768,000</b>	70,000	<b>4,768,000</b>	70,000
Effect of Shares issued on 16 November 2022	–	4,698,000	–	4,698,000
Effect of Shares issued on 10 May 2023	<b>160,000</b>	–	<b>160,000</b>	–
Weighted Average number of ordinary shares at 31 December	<b>4,872,444</b>	662,077	<b>4,872,444</b>	662,077
<b>Basic earnings per share for the year attributable to ordinary equity holders</b>	<b>€0.54</b>	€2.90	<b>€0.35</b>	€1.98

### 23. LEASE LIABILITIES

	Group	
	2023	2022
	€	€
Current	<b>838,587</b>	740,677
Non-current	<b>11,268,947</b>	9,168,582
	<b>12,107,534</b>	9,909,259

	Group	
	2023	2022
	€	€
<b>Gross lease payments</b>		
Due after more than five years	<b>8,891,611</b>	6,832,258
Due after one year but within five years	<b>5,961,733</b>	5,061,022
Due within one year	<b>1,451,915</b>	1,241,423
	<b>16,305,259</b>	13,134,703
Discounting	<b>(4,197,725)</b>	(3,225,444)
	<b>12,107,534</b>	9,909,259

**NOTES TO THE FINANCIAL STATEMENTS – continued****23. LEASE LIABILITIES – continued**

The carrying amount of lease liabilities recognised during the year is as follows:

	Group	
	2023	2022
	€	€
Opening balance	<b>9,909,259</b>	10,328,851
Additions	<b>3,178,011</b>	794,996
Lease modification	<b>(154,614)</b>	(62,768)
Release on disposal of investment in subsidiaries	–	(491,690)
Interest	<b>522,287</b>	531,629
Interest expense capitalised	<b>48,963</b>	–
Lease payments	<b>(1,396,372)</b>	(1,191,759)
	<b>12,107,534</b>	9,909,259

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

	Group	
	2023	2022
	€	€
Interest expense	<b>522,287</b>	531,629
Depreciation expense	<b>1,007,549</b>	951,932
	<b>1,529,836</b>	1,483,561

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 24. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
<b>Non-current</b>				
Other payables	<b>223,468</b>	352,268	–	–
	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
<b>Current</b>				
Trade payables – third parties	<b>7,448,632</b>	7,281,626	<b>90,713</b>	31,585
Trade payables – related parties	<b>579,791</b>	317,528	–	–
Amounts owed to shareholders (i)	<b>178,910</b>	55,815	<b>178,910</b>	55,815
VAT payables	<b>270,034</b>	300,368	<b>72,198</b>	126,639
Accruals	<b>1,112,796</b>	1,159,407	<b>229,792</b>	223,406
Other payables	<b>288,083</b>	416,585	<b>18,550</b>	19,572
	<b>9,878,246</b>	9,531,329	<b>590,163</b>	457,017

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

ii. The Group's and Company's exposure to liquidity risk relating to trade and other payables is disclosed in Note 29.

### 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and in banks, net of overdrawn bank balances.

Cash and cash equivalents included in the statement of cash flow reconcile to the amounts shown in the statement of financial position as follows:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash in hand	<b>352,749</b>	143,035	–	–
Cash at bank	<b>1,832,329</b>	1,068,206	<b>186,003</b>	4,730
	<b>2,185,078</b>	1,211,241	<b>186,003</b>	4,730
Overdrawn bank balances	<b>(4)</b>	(9,941)	–	–
	<b>2,185,074</b>	1,201,300	<b>186,003</b>	4,730

The Group's and Company's exposure to credit risk relating to cash at bank is disclosed in Note 29.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

*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	<b>5,497,087</b>
Bonds payable	4,995,258	–	(250,000)	79,004	<b>4,824,262</b>
Advances from shareholders	4,093,243	–	(597,717)	(3,495,526)	–
Interest-bearing loans	1,161,374	–	(183,402)	42,740	<b>1,020,712</b>
Lease liabilities	10,328,851	–	(1,191,759)	772,167	<b>9,909,259</b>
	<b>22,836,650</b>	–	<b>(2,222,876)</b>	637,548	<b>21,251,320</b>

*The Group*

	Balance at 01.01.2023	Proceeds	Repayments	Non-cash adjustment	Balance at 31.12.2023
	€	€	€		€
Issuance of share capital (including share premium)	5,497,087	970,000	–	–	<b>6,467,087</b>
Bonds payable	4,824,262	–	(250,000)	274,354	<b>4,848,616</b>
Interest-bearing loans	1,020,712	750,000	(211,302)	36,937	<b>1,596,343</b>
Lease liabilities	9,909,259	–	(1,396,372)	3,594,647	<b>12,107,534</b>
	<b>21,251,320</b>	<b>1,720,000</b>	<b>(1,857,679)</b>	3,905,938	<b>25,019,579</b>

*The Company*

	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	<b>5,497,087</b>
Bonds payable	4,995,258	–	(250,000)	79,004	<b>4,824,262</b>
Advances from shareholders	4,093,243	–	(597,717)	(3,495,526)	–
	<b>11,346,425</b>	–	<b>(847,717)</b>	(177,359)	<b>10,321,349</b>

*The Company*

	Balance at 01.01.2023	Proceeds	Repayments	Non-cash adjustment	Balance at 31.12.2023
	€	€	€	€	€
Issuance of share capital (including share premium)	5,497,087	970,000	–	–	6,467,087
Bonds payable	4,824,262	–	(250,000)	274,354	4,848,616
	<b>10,321,349</b>	<b>970,000</b>	<b>(250,000)</b>	274,354	<b>11,315,703</b>

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 27. CAPITAL COMMITMENTS

Capital commitments for capital expenditure with respect to property, plant and equipment not provided for in these financial statements are as follows:

	Group	
	2023	2022
	€	€
Contracted but not provided	1,142,959	–
	<u>1,142,959</u>	<u>–</u>

### 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	
	2023	2022
	€	€
<b>Income from goods and services</b>		
Sale of goods and services to related parties	182,104	115,351
Recharge of payroll and other costs to related parties	496,475	622,944
Commission income from associate undertakings	–	47,500
Commission income from related parties	16,749	14,030
	<u>695,328</u>	<u>799,825</u>
<b>Expenditure for goods and services</b>		
Purchase of goods from associate undertakings	–	452,585
Purchase of goods from related parties	1,596,262	1,195,801
Purchase of services from related parties	98,850	134,086
Rental expenses from related parties	127,408	116,367
	<u>1,822,520</u>	<u>1,898,839</u>

	Company	
	2023	2022
	€	€
<b>Income from goods and services</b>		
Sale of services to subsidiaries	933,402	812,459
Dividend income from subsidiaries	1,384,615	1,076,923
Finance income on loans to subsidiaries	318,500	318,500
	<u>2,636,517</u>	<u>2,207,882</u>
<b>Expenditure for goods and services</b>		
Recharge of payroll from subsidiaries	71,980	4,280
Purchase of services from related parties	34,074	46,770
	<u>106,054</u>	<u>51,050</u>

The outstanding amounts arising from these transactions are disclosed in Notes 18, 20 and 24 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 29. FINANCIAL RISK MANAGEMENT

The Group and the Company's activities exposed it to a variety of financial risks, including market risk (cash flow and fair value interest rate risk), credit risk and liquidity risks.

The Company's directors are responsible for managing the risks faced by the Group and Company. This responsibility includes identifying, analysing, setting the appropriate risk limits and controls, and monitoring adherence to such limits and controls. The Group and Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial periods.

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, borrowings, lease liabilities and trade and other payables. At year-end, there were no off-balance sheet financial liabilities except as disclosed in Note 20 to the financial statements.

#### 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.

#### *Cash flow and fair value interest rate risk*

Interest rate risk relates to 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 and company's income and operating cash flows are substantially independent of changes in market interest rates. 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 and therefore do not expose the Group and Company to cash flow and fair value interest rate risk.

Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. The Group's bank loans amounting to €1,596,342 (2022: €1,020,702) 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. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Up to the end of the reporting period, the group did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**29. FINANCIAL RISK MANAGEMENT – continued**

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

Credit risk principally arises from cash and cash equivalents comprising deposits with financial institutions, and other

receivables, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Group's and the Company's principal exposures to credit risk as at the end of the reporting period are analysed as follows:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank	<b>1,832,329</b>	1,068,206	<b>186,003</b>	4,730
Trade receivables	<b>1,673,219</b>	1,016,246	–	–
Other receivables	<b>2,325,416</b>	1,746,710	–	–
Loans receivable	–	–	<b>2,160,359</b>	3,889,000
Amounts owed by subsidiaries	–	–	<b>5,924,147</b>	3,288,737
Amounts owed by related parties	<b>236,157</b>	349,454	<b>36,800</b>	92,890
	<b>6,067,121</b>	4,180,616	<b>8,307,309</b>	7,275,357

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements.

*Cash at Bank*

The group's cash is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the group. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

*Trade and other 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.

*Impairment of trade 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 Group 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. Loss allowances of €19,782 (2022: nil) were present at year end in respect of trade and other receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €126,074 (2022: €77,548). The group holds no security against these receivables. The unsecured overdue amounts consisted of €240,997 (2022: €196,466) that were less than three months overdue and €229,852 (2022: €182,520) that were greater than three months.

*Loans receivable*

The Group has adopted a 12-month ECL method to its loan receivable. As at 31 December 2023, 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.



**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**29. FINANCIAL RISK MANAGEMENT – continued**

**Credit risk – continued**

*Amounts due from subsidiaries and related parties*

The Company's receivables include receivables from subsidiaries. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Since amounts due from subsidiaries are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

*Collateral*

The Company and the Group do not hold any collateral.

**Liquidity risk**

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to note 20 and 24). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

continuously monitoring actual and forecast cash flows as well as the maturity profiles of financial liabilities.

The directors manage liquidity risk by maintaining adequate cash reserves and/or available borrowing facilities by

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

*Group*

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within one year</b>	<b>One to five years</b>	<b>Over five years</b>
	€	€	€	€	€
Bonds payable (Note 20)	4,848,616	6,500,000	250,000	1,000,000	5,250,000
Bank loan (Note 20)	1,596,342	2,377,136	404,150	1,650,295	322,691
Lease liabilities	12,107,534	16,305,259	1,451,915	5,961,733	8,891,611
	<b>18,552,492</b>	<b>25,182,395</b>	<b>2,106,065</b>	<b>8,612,028</b>	<b>14,464,302</b>

*Company*

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within one year</b>	<b>One to five years</b>	<b>Over five years</b>
	€	€	€	€	€
Bonds payable (Note 20)	4,868,616	6,500,000	250,000	1,000,000	5,250,000

During the year under review the Group entered into a number of lease arrangements resulting in outstanding

lease liabilities of €12,107,534 out of which €838,587 is repayable within the year (Note 23).

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**29. FINANCIAL RISK MANAGEMENT – continued**

**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 amounts owed by subsidiaries which are current or repayable on demand is equivalent to their carrying amount. The fair value of the Group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts.

**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 20, and equity attributable to equity holders, comprising issued share capital and retained earnings as disclosed in Note 19 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.

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**30. Comparative information**

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

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of The Convenience Shop (Holding) plc  
Report on the Audit of The Financial Statements



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## 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"), which comprise the statements of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as adopted by the European Union ("EU"), and have been properly prepared in accordance with the requirements of the Maltese 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 parent company and its subsidiaries 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 during the year ended 31 December 2023 are disclosed in Note 5 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.

### *Impairment assessment of intangible assets with indefinite useful lives*

As disclosed in Note 12, 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.

## Key Audit Matters – continued

### *Inventory and sale of goods*

The business is characterised by fast movement of consumer goods and operates 41 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 2023, the Group's inventories amounted to €3.2 million, while revenue amounted to €46.7 million as disclosed in Notes 17 and 4 to the financial statements. In responding to the risk identified, we obtained an understanding of the revenue cycle, inventory management processes and inventory count procedures. We assessed the design and implementation of the key controls over these processes. We were not able to take a control reliant audit approach on certain assertions due to weaknesses noted in the IT environment and inventory process. Where we noted deficiencies, we extended the scope of our substantive procedures.

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

## Other Information

The directors are responsible for the other information. The other information comprises the general information, chairman's statement, board of directors, group company secretary, audit committee and internal auditor profiles, the management team, CEO statement, CFO financial review, directors' report, the corporate governance – statement of compliance and the remuneration report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we 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 Maltese 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 Maltese Companies Act (Cap. 386);
- the information given in the directors' report for the financial year for which the financial statements are 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 Accounting Standards as adopted by the EU and the requirements of the Maltese 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 and the Company.

## 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.

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 the Statement of Compliance with the Principles of Good Corporate Governance**

The Prospects MTF Rules and the Capital Market Rules issued by the Malta Financial Services Authority require the directors to prepare and include in their Annual Report a Statement of Compliance with the Code of Principals of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Market Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures the Board has taken to ensure compliance throughout the accounting period with those Principles.

The Prospects MTF Rules and the Capital Market 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 with respect to the information referred to in the Capital Market Rules 5.97.4 and 5.97.5. We also assessed whether the Statement of Compliance includes all the other information required to be presented as per Capital Market Rules 5.97. 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 and the Capital Market Rules issued by the Malta Financial Services Authority.

## **Report on the Remuneration Report**

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration Report including the contents listed in Appendix 12.2 to Chapter 12 of the Capital Market Rules.

We are required to consider whether the information that should be provided under the Remuneration Report, as required in terms of Appendix 12.2 to Chapter 12 of the Capital Market Rules, has been included.

In our opinion, the Remuneration Report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

## **Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6**

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the annual report of The Convenience Shop (Holding) plc for the year ended 31 December 2023, entirely prepared in a single electronic reporting format.

### *Responsibilities of the directors*

The directors are responsible for the preparation of the annual report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

### *Auditors' responsibilities*

Our responsibility is to obtain reasonable assurance about whether the annual report, including the consolidated financial statements and the relevant electronic tagging therein complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

**Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the “ESEF RTS”), by reference to Capital Markets Rule 5.55.6 – continued**

Our procedures included:

- Obtaining an understanding of the entity’s financial reporting process, including the preparation of the Annual report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual report and performing validations to determine whether the Annual report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Annual report for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

**Other matters on which we have to report by exception**

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

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

**Appointment**

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

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

**RSM Malta**  
Registered Auditors

28 March 2024







[theconvenienceshop.com](http://theconvenienceshop.com)



**The Convenience Shop (Holding) plc**

**Registered office**

Marant Food Products, Mdina Road, Żebbuġ, ŻBG 9017, Malta

Company Registration Number: C 87554