DIZZ FINANCE P.L.C

ANNUAL REPORT
For the year ended 31 December 2024

The users of this financial report are reminded that the official statutory Annual Financial Report 2024, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on dizz.com.mt/dizz-finance-plc. A copy of the Independent auditor's report issued on the official statutory Annual Financial Report 2024, is included within this printed document and comprises the auditor's report in 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. In case of any conflicts and differences, the ESEF report prevails.

Company registration no: C 71189

**Company Information**

| | |
|---|---|
| **Directors :** | Ms Diane Izzo<br>Mr Karl Izzo<br>Mr Edwin Pisani<br>Mr Joseph C Schembri<br>Mr Nigel Scerri (resigned on 31 October 2024)<br>Dr Kevin Deguara (resigned on 24 May 2024)<br>Dr Adrian Sciberras (appointed on 24 May 2024)<br>Mr Stanley Mifsud (appointed on 4 November 2024) |
| **Secretaries :** | Mr Kenneth Abela (resigned on 31 October 2024)<br>Mr Edwin Pisani (appointed on 31 October 2024) |
| **Company number :** | C 71189 |
| **Registered office :** | Dizz Buildings,<br>Carob Street,<br>Santa Venera<br>Malta |
| **Auditors :** | CLA Malta<br>The Core<br>Valley Road<br>Msida MSD 9021<br>Malta |
| **Banker :** | Bank of Valletta plc<br>58, Zachary Street<br>Valletta<br>Malta |

DIZZ FINANCE P.L.C

**Contents**

**Report of the Directors**
For the year ended 31 December 2024

The Directors present their report and the audited financial statements for the year ended 31 December 2024.

***Incorporation***

The Company was incorporated on 24 June 2015.

***Principal Activity***

The principal activity of the Company is to act as a finance, investment and property-holding company for lease to third parties and related companies. The activities of the Company are expected to remain consistent for the foreseeable future.

***Review of Business***

The Company is principally a finance company and generates its revenue in line with the loan agreements entered into with the Dizz Group. The Company also generates revenue from rental income on properties owned by the Company. Such agreements are also fixed in nature for the duration of the contract.

The Company registered a profit before tax of € 284,471 (2023: € 450,935) which is based on finance interest amounting to € 661,476 (2023: € 662,031) and rental income amounting to € 148,133 (2023: € 191,581).

***Principal Risks and Uncertainties***

The Company is mainly dependant on the business prospects of Dizz Group (the "Group"), and consequently, the operating results of the Group have a direct effect on the Company's financial position and performance, including the ability of the Company to service its payment obligations under the issued bonds.

The Company's main assets consist of loans receivable issued to related companies forming part of the Group. Therefore, the ability of these companies to effect payments to the Company under such loans will depend on their respective cash flows and earnings which may be restricted by:

- changes in applicable laws and regulations;
- the terms contained in the agreements to which they are or may become party, including the indenture governing their existing indebtedness, if any; or
- other factors beyond the control of the Company.

The Group primarily operates retail and food & beverage outlets across Malta. The retail industry as well as the catering industry is marked by strong and increasing competition and many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group. Thus, the principle risks faced by the Group are loss of market share as a result of other participants entering the market, obsolescence of inventories and negative developments in the economic environment.

**Report of the Directors (continued)**
For the year ended 31 December 2024

***Principal Risks and Uncertainties* (continued)**

Additionally, the Company is directly exposed to the risks associated with the local property market. The property market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, or the exercise by tenants of their contractual rights.

The directors monitor closely the impact of events and the ability of the related parties to honour their financial commitments. To this regard, the directors are of the view that the amount receivable from the related parties by the Company is recoverable.

***Dividends and Reserves***

The Directors do not recommend the payment of a dividend and propose to transfer the profit for the year to retained earnings.

***Future Developments***

No changes are expected in the operating activity of the company in the coming months.

***Financial Risk Management***

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in notes 19.2 and 19.3 of the financial statements.

***Events Subsequent to the Statement of Financial Position Date***

The directors assessed subsequent events from 1 January 2025 through 29 April 2025, the date these financial statements were approved. Through such assessment, the directors have determined that there were no subsequent events post balance sheet date.

***Directors***

The following have served as Directors of the Company during the year under review:

Ms Diane Izzo
Mr Karl Izzo
Mr Edwin Pisani
Mr Joseph C Schembri
Mr Nigel Scerri (resigned on 31 October 2024)
Dr Kevin Deguara (resigned on 24 May 2024)
Dr Adrian Sciberras (appointed on 24 May 2024)
Mr Stanley Mifsud (appointed on 4 November 2024)

In accordance with the Company's Articles of Association the present Directors shall continue to hold office for another year.

**Report of the Directors (continued)**
For the year ended 31 December 2024

***Directors' Interest***

The Directors' beneficial interest in the shares of the Company as at 31 December 2024 is limited to 1 ordinary share having a nominal value of €1 held by Ms Diane Izzo. However, the Directors Diane Izzo and Karl Izzo are the Ultimate Beneficial Owners of the Group.

***Statement of Directors' Responsibilities Pursuant to Capital Markets Rule 5.68***

The Companies Act, 1995 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of management are responsible to ensure that the Company establishes and maintains internal controls to provide reasonable assurance with regards to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

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

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2024, and of the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

***Going Concern Statement Pursuant to Capital Markets Rule 5.68***

After making enquiries and having taken into consideration the future plans of the Company, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopted the going concern basis in the preparation of the financial statements.

***Auditors***

CLA Malta have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

| | |
|---|---|
| Ms Diane Izzo | Mr Joseph C Schembri |
| Director | Director |

29 April 2025

**Corporate Governance - Statement of Compliance**
For the year ended 31 December 2024

The Capital Markets Rules issued by the Malta Financial Services Authority require companies whose securities are listed on a regulated market to observe The Code of Principles of Good Corporate Governance (the "**Code**"). Although the adoption of the Code is not obligatory, listed companies are required to include, in their Annual Report, a Statement of Compliance which deals with the extent to which the listed company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

**Part 1: Compliance with the Code**

The Board of Directors (the "**Board**") of the Company believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

**Principle 1 and 4: The Board**

The Board of Directors is responsible for devising a strategy and setting policies of the Company. It is also responsible for reviewing internal controls procedures, financial performance and business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the prospectus and all relevant rules and regulations.

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 8 hereunder.

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. All directors have access to independent professional advice, at the expense of the Company, should they so require.

**Principle 3: Composition of the Board**

As at the date of this report, the Board is composed of three executive and three independent non-executive directors. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

**Part 1: Compliance with the Code (continued)**

**Principle 3: Composition of the Board (continued)**

The Board is composed of:

Ms. Diane Izzo – Executive Director and Chairperson
Mr. Karl Izzo – Executive Director
Mr. Edwin Pisani – Executive Director
Mr. Joseph C Schembri – Independent, Non-Executive Director
Mr. Nigel Scerri – Independent, Non-Executive Director (resigned on 31 October 2024)
Dr. Kevin Deguara – Independent, Non-Executive Director (resigned on 24 May 2024)
Dr Adrian Sciberras – Independent, Non-Executive Director (appointed on 24 May 2024)
Mr Stanley Mifsud– Independent, Non-Executive Director (appointed on 4 November 2024)

Mr Kenneth Abela being the Company's secretary resigned on 31 October 2024 and Mr Edwin Pisani was appointed instead.

The non-executive directors are considered to be independent within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

Directors are appointed during the Company's Annual General Meeting for a period of one year, at the end of which term they may stand again for re-election, 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. The Articles of Association of the Company clearly sets out the procedures to be followed in the appointment of directors.

**Principle 4: The Responsibilities of the Board**

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management.

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. An audit committee has been set up with clear terms of reference in line with the Capital Markets Rules.

**Corporate Governance - Statement of Compliance (continued)**
For the year ended 31 December 2024

**Part 1: Compliance with the Code (continued)**

**Principle 5: Board Meetings**

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors.

The Board meets as often as required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. The board met six times during the year under review. The number of board meetings attented by Directors for the year under review is as follows:

| *Members* | *Meetings attended out of total held during tenure* |
|---|---|
| Ms Diane Izzo | 6 out of 6 |
| Mr Karl Izzo | 6 out of 6 |
| Mr Edwin Pisani | 6 out of 6 |
| Mr Joseph C Schembri | 6 out of 6 |
| Mr. Nigel Scerri | 4 out of 4 |
| Dr. Kevin Deguara | 2 out of 2 |
| Dr. Adrian Sciberras | 3 out of 3 |
| Mr. Stanley Mifsud | 1 out of 1 |

The Board also delegates specific responsibilities to the management team of the Company.

**Principle 6: Information and Professional Development**

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Capital Markets Rules and other relevant legislation, and has been provided with the Code of Dealing required in terms of Capital Markets Rules 5.106 and training in respect of their obligations arising thereunder. The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

**Principle 8: Committees**

**Audit Committee**

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Capital Markets Rules and under applicable law. In addition, unless otherwise dealt with in any other manner prescribed by the Capital Markets Rules, the Audit Committee has the responsibility to, *inter alia*, monitor and scrutinise, and, if required, approve Related Party Transactions, if any, falling within the ambits of the Capital Markets Rules and to make its recommendations to the Board of any such proposed Related Party Transactions.

The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Company's external auditors.

**Part 1: Compliance with the Code (continued)**

**Principle 8: Committees (continued)**

**Audit Committee (continued)**

During the year under review, the Audit Committee was composed of Mr. Joseph C. Schembri (independent non-executive director and Chairman of the Audit Committee), Mr. Nigel Scerri (independent non-executive director- resigned on 31 October 2024), Dr. Kevin Deguara (independent non-executive director- resigned on 24 May 2024), Dr Adrian Sciberras (independent non-executive director -appointed on 24 May 2024) and Mr Stanley Mifsud (independent non-executive director - appointed on 4 November 2024).

The Board considers the Chairman of the Audit Committee to be independent and competent in accounting and/or auditing. Such determination was based on Mr Joseph C. Schembri's substantial experience in various audit, accounting and risk management roles throughout his career.

In the year under review, the Audit Committee met 4 times.

**Internal Controls**

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud. Authority to manage the business of the Group, including the Company is delegated to the Group Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the Directors on a regular basis.

**Principle 9: Relations with Shareholders and with the Market and Principle 10: Institutional Shareholders**

The Company has communicated effectively with the market through company announcements and financial information published by the Company.

**Principle 11: Conflicts of Interest**

Ms Diane Izzo, Mr Karl Izzo and Mr Edwin Pisani are executive officers of the Company. Ms Diane Izzo and Mr Karl Izzo 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 period 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.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interest 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).

**Part 1: Compliance with the Code (continued)**

**Principle 12: 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.

**Part 2: Non-Compliance with the Code**

**Principle 2: Chairman and Chief Executive**

The roles of Chairman and Chief Executive Officer of the Group are both occupied by Ms Diane Izzo. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the Directors believe that Ms Diane Izzo should occupy both positions, particularly in view of the experience she brings to both the Board and executive management team of the Company. In terms of Principle 3.1, which calls for the appointment of a senior independent Director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the Board has appointed Mr Joseph C. Schembri as the indicated senior independent Director.

**Principle 7: Evaluation of the Board's Performance**

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated.

**Principle 8: Committees**

The Board of Directors considers that the size and operation of the Issuer does not warrant the setting up of nomination and remuneration committees. Given that the Issuer does not have any officers or employees other than the Directors and the company secretary, it is not considered necessary for the Issuer to maintain a remuneration committee and a nomination committee.

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

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the Directors. The aggregate amount paid during the year was € 13,000.

**Corporate Governance - Statement of Compliance (continued)**
For the year ended 31 December 2024

**Part 2: Non-Compliance with the Code (continued)**

**Principle 8: Committees (continued)**

The directors are paid on the basis of a fixed remuneration, the aggregate of which is approved in general meeting by the shareholders. No part of the remuneration paid to the Directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the Directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Dizz Finance P.L.C.

Signed on behalf of the Board of Directors on 29 April 2025 by:

Mr Joseph C. Schembri
Director and Chairman of Audit Committee

DIZZ FINANCE P.L.C

## Independent Auditors' Report

To the shareholders of Dizz Finance P.L.C

### Opinion

We have audited the financial statements of Dizz Finance P.L.C (the Company), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Company's financial statements present fairly, in all material respects the Company's financial position as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 3.1.1 to these financial statements, dealing with the basis of preparation which describes the Board of Directors' assessment on the ability of the Company and the guarantor of the bond to continue operating as a going concern. The note states that the directors recognise that the Company is intrinsically dependent on the liquidity position of Dizz Group of Companies Limited (the guarantor) and its subsidiaries, and there remains uncertainty should the required financing not materialise within a reasonable timeframe. These events and conditions, along with other matters as set forth in Note 3.1.1, indicate that a material uncertainty exists that may cast significant doubt on the ability of Dizz Group of Companies Limited and therefore Dizz Finance p.l.c. to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent Auditors' Report (continued)**

**Key Audit Matters (continued)**

*Investment Property – refer to Note 9*

As at 31 December 2024, the Company's investment property is carried at a fair value of EUR 2,422,612 (2023: EUR 2,682,612), as disclosed in Note 9 to the financial statements. The investment property is accounted for using the fair value model in accordance with IAS 40 *Investment Property*, with fair value determined using Level 2 inputs under IFRS 13 *Fair Value Measurement*. This categorisation is based on the use of observable market data, such as prices of comparable properties, adjusted where necessary to reflect the characteristics of the specific asset.

Our audit procedures included testing the completeness, accuracy, and valuation of the investment property balances, evaluating the appropriateness of the valuation methodology and assumptions used, and assessing the adequacy of the disclosures in the financial statements regarding the valuation. We also evaluated the Company's internal controls over investment property, including the processes for identifying and recording additions and disposals.

We identified the valuation to be a Key Audit Matter, as it is material to the financial statements, the only asset of significance which is not connected to related parties, and it involves significant management judgment and estimation. The valuation methodology and assumptions used in determining the fair value of the property, such as market conditions and economic factors, are subject to inherent risks and uncertainties. Procedures including obtaining and vetting third party valuations of said property and assessing the methodology used.

Based on the procedures performed, we did not identify material exceptions with respect to the valuation methodology or the use of observable inputs.

**Other Information**

The Directors are responsible for the other information. The other information comprises the Report of the Directors, the Statement of Directors' Responsibilities and the Corporate Governance Statement of Compliance. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**Responsibilities of the Directors**

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal controls 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 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 or to cease operations, or has no realistic alternative but to do so.

**Independent Auditors' Report (continued)**

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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's internal controls.
- 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'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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 controls 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 to 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 period 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.

DIZZ FINANCE P.L.C

**Independent Auditors' Report (continued)**

## Report on Other Legal and Regulatory Requirements

***Matters on which we are required to report by exception under the Companies Act***

*Our Responsibilities*

We have responsibilities under the Companies Act (Cap. 386) enacted in Malta to report to you if, in our opinion:

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

*Our Opinion*

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

In addition, we confirm that:

- Our opinion is consistent with our additional report to the audit committee.

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

## Report on Corporate Governance

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 providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Capital Market Rules also require the auditors to include a report on the Statement of Compliance prepared by the Directors.

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

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.

## Report on Corporate Governance (continued)

In our opinion, the Statement of Compliance set out on pages 5 to 10 has been properly prepared in accordance with the requirements of the Capital Market Rules issued by the Malta Financial Services Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

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

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Report of the Directors. We have nothing to report in this regard.

## 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 financial report of Dizz Finance P.L.C for the year ended 31 December 2024, entirely prepared in a single electronic reporting format.

*Responsibilities of the directors*

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

*Our responsibilities*

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply 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 financial report in XHTML format.

• Examining whether the annual financial report has been prepared in XHTML format.

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 financial report for the year ended 31 December 2024 has been prepared in XHTML format in all material respects.

**Use of our Report**

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

**Appointment**

We were first appointed as auditors of the Company on 9 January 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 9 years.

Bernard Charles Gauci (Partner) for and on behalf of
CLA Malta
Certified Public Accountants

Msida
Malta

29 April 2025

**Statement of Comprehensive Income**
For the year ended 31 December 2024

| | Notes | 2024 € | 2023 € |
|---|---|---|---|
| **Revenue** | 4 | 809,609 | 853,612 |
| Finance costs | 5.4 | (429,838) | (434,777) |
| **Gross profit** | | 379,771 | 418,835 |
| Other income | 5.1 | 131,379 | 141,714 |
| Administrative expenses | 5.2 | (226,679) | (109,614) |
| **Profit before tax** | 5 | 284,471 | 450,935 |
| Income tax | 6 | (1,666) | 1,055 |
| **Profit for the year** | | 282,805 | 451,990 |
| **Total comprehensive income for the year** | | 282,805 | 451,990 |
| **Earnings per share** | 7 | 0.15 | 0.24 |

**Statement of Financial Position**
As at 31 December 2024

| | Notes | 2024 € | 2023 € |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 8 | 24,644 | 19,287 |
| Investment property | 9 | 2,422,612 | 2,682,612 |
| Other financial assets at amortised cost | 11.2 | 6,169,860 | 6,205,551 |
| **Total non-current assets** | | 8,617,116 | 8,907,450 |
| Other financial assets at amortised cost | 11.2 | 7,451,051 | 6,684,280 |
| Trade and other receivables | 12 | 366,289 | 107,536 |
| **Total current assets** | | 7,817,340 | 6,791,816 |
| **Total assets** | | 16,434,456 | 15,699,266 |
| **Equity** | | | |
| Issued capital | 13 | 1,910,000 | 1,910,000 |
| Retained earnings | 14 | 4,319,877 | 4,037,072 |
| **Total equity** | | 6,229,877 | 5,947,072 |
| **Liabilities** | | | |
| Borrowings | 11.3 | 7,969,805 | 7,941,157 |
| Deferred tax liabilities | 10 | 180,108 | 200,909 |
| **Total non-current liabilities** | | 8,149,913 | 8,142,066 |
| Trade and other payables | 15 | 200,635 | 263,399 |
| Borrowings | 11.3 | 1,656,578 | 1,126,266 |
| Current tax liabilities | | 197,453 | 220,463 |
| **Total current liabilities** | | 2,054,666 | 1,610,128 |
| **Total liabilities** | | 10,204,579 | 9,752,194 |
| **Total equity and liabilities** | | 16,434,456 | 15,699,266 |

The financial statements on pages 17 to 49 were approved and authorised for issue by the Board of Directors on 29 April 2025 and were signed on its behalf by:

Ms Diane Izzo
Director

Mr Joseph C Schembri
Director

**Statement of Changes in Equity**
For the year ended 31 December 2024

| | Issued capital € | Retained earnings € | Total € |
|---|---|---|---|
| **Changes in equity for 2023** | | | |
| Balance at 1 January 2023 | 1,910,000 | 3,585,082 | 5,495,082 |
| **Comprehensive income** | | | |
| Profit for the year | - | 451,990 | 451,990 |
| **Balance at 31 December 2023** | 1,910,000 | 4,037,072 | 5,947,072 |
| **Changes in equity for 2024** | | | |
| Balance at 1 January 2024 | 1,910,000 | 4,037,072 | 5,947,072 |
| **Comprehensive income** | | | |
| Profit for the year | - | 282,805 | 282,805 |
| **Balance at 31 December 2024** | 1,910,000 | 4,319,877 | 6,229,877 |

**Statement of Cash Flows**
For the year ended 31 December 2024

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 284,471 | 450,935 |
| Adjustments for: | | |
| Depreciation | 5,629 | 4,530 |
| Profit from disposal of immovable property | (162,100) | (392,093) |
| Bond interest expense | 400,000 | 400,000 |
| Amortisation of bond issue costs | 28,648 | 28,320 |
| Revaluation on property | 122,100 | 273,795 |
| Profit on sale of assets | (25,000) | (9,000) |
| Other expenses | 7,562 | - |
| Expected credit losses | 50,013 | - |
| Operating profit before working capital changes | 711,323 | 756,487 |
| Movement in receivables | (258,308) | 43,227 |
| Movement in payables | (62,767) | (148,150) |
| Cash generated from operations | 390,248 | 651,564 |
| Tax paid | (53,038) | (44,323) |
| Cash generated from operations | 337,210 | 607,241 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (10,986) | (17,628) |
| Proceeds from disposal of property, plant and equipment | - | 104,000 |
| Proceeds from disposal of investment property | 325,000 | 1,260,000 |
| Net cash generated from investing activities | 314,014 | 1,346,372 |

**Statement of Cash Flows (continued)**
For the year ended 31 December 2024

| | Note | 2024<br>€ | 2023<br>€ |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Payments to group companies | | (327,675) | (1,555,670) |
| Payments to related companies | | (12,444) | - |
| Receipts from loans to third parties | | 9,235 | 8,234 |
| Payment of bond interest | | (400,000) | (400,000) |
| Net cash used in financing activities | | (730,884) | (1,947,436) |
| Net movement in cash and cash equivalents | | (79,660) | 6,177 |
| Cash and cash equivalents at beginning of year | | (2,130) | (8,307) |
| **Cash and cash equivalents at end of year** | 16 | (81,790) | (2,130) |

## 1 REPORTING ENTITY AND OTHER INFORMATION

Dizz Finance P.L.C. is a limited liability company domiciled and incorporated in Malta. The company's registered office is Dizz Buildings, Carob Street, Santa Venera, Malta. The company's principal activity is to act as a finance, investment and property-holding company for lease to third parties and related companies.

### 1.1 STATEMENT OF COMPLIANCE WITH IFRS AND GOING CONCERN ASSUMPTION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB). These financial statements also comply with the requirements of the Companies Act (Cap. 386) of the Laws of Malta.

The financial statements have been prepared under the going concern assumption, which assumes that the Company will continue in operational existence and meet its obligations as they fall due for the foreseeable future.

The financial statements for the year ended 31 December 2024 (including comparatives) were approved and authorised for issue by the board of directors on 29 April 2025.

### 1.2 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the company's functional currency.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AND IFRS SUSTAINABILITY DISCLOSURE STANDARDS

**New Standards adopted as at 1 January 2024**

Some accounting pronouncements which have been effective from 1 January 2024 and have therefore been adopted do not have a significant impact on the Group's financial results or position. Standards that have been applied for the first time in the current period are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

**Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company.**

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

## 3 MATERIAL ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

These financial statements have been prepared on the accruals basis and under the historical cost convention, except for the following items which are measured on an alternative basis in accordance with IFRSs:

- Investment property is measured at fair value in accordance with IAS 40;
- Where applicable, fair value measurements are carried out in accordance with the principles of IFRS 13.

Monetary amounts are expressed in Euro (€) and are rounded to the nearest thousand, except for earnings per share.

### 3.1.1 GOING CONCERN ASSESSMENT

Dizz Finance p.l.c. forms part of the Dizz Group of Companies Limited, which is also the guarantor of the €8 million bond issued by the Company. The Company's principal activity is to act as a finance and property-holding entity within the Group, deriving income from intra-group loan arrangements and rental income from investment property.

For the financial year ended 31 December 2024, although the Company generated a profit before tax of €284,471 (2023: €450,935) and closed the year with net assets amounting to €6.2 million (2023: €5.9 million), it continues to rely extensively on the liquidity of the wider Group.

At Group level, its borrowing levels remain significant, and management has been actively pursuing additional financing initiatives and restructuring efforts to improve liquidity and repay its debt obligations as they fall due. These include ongoing discussions with financial institutions for credit facilities and refinancing arrangements. The Board of Directors remains optimistic and confident that these arrangements will be concluded positively. Nonetheless, while the Group continues to explore strategic opportunities to enhance its financial position, these initiatives had not yet resulted in binding agreements as at the date of approval of these financial statements.

The Board of Directors has reviewed the budgets of the Group covering a period of at least twelve months from the reporting date. These projections have been prepared on the basis of the following assumptions:

a) a continuation of current income streams;
b) no significant investment in new property or asset acquisitions; and
c) access to existing working capital and facilities in place.

The Directors acknowledge that a material uncertainty exists should the Group not succeed in securing additional financing or restructuring facilities within a reasonable timeframe. These conditions, together with reliance on the guarantor's financial position, may cast significant doubt on the ability of Dizz Finance p.l.c. to continue as a going concern. Nevertheless, after making appropriate enquiries and considering the refinancing efforts and strategic initiatives underway, the Directors have a reasonable expectation that the Company will continue to operate for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing these financial statements.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.2 REVENUE RECOGNITION

Revenue arises mainly from rental income.

To determine whether to recognise revenue, the Company follows a 5-step process:
1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations, and then
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Company often enters into customer contracts to provide rental services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its statement of financial position. (See Note 16). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Company recognises revenue from the following major sources as detailed here under:

#### 3.2.1 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.2 REVENUE RECOGNITION (continued)

#### 3.2.2 Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease on the annual income received.

### 3.3 OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

### 3.4 BORROWING COSTS

Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 5.4).

### 3.5 TAXATION

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

The calculation of current and deferred tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method. The carrying amounts of deferred tax are reviewed at the end of each reporting period on the basis of its most likely amount and adjusted if needed. Assessing the most likely amount of current and deferred tax in case of uncertainties (e.g. as a result of the need to interpreting the requirements of the applicable tax law), requires the group to apply judgments in considering whether it is probable that the taxation authority will accept the tax treatment retained.

Deferred tax assets are recognised to the extent it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 specifies limited exemptions. As a result of these exemptions the Company does not recognise deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries (only to the extent that the group control the timing of the reversal of the taxable temporary difference and that reversal is not likely to occur in the foreseeable future). The Company does not offset deferred tax assets and liabilities unless it has a legally enforceable right to do so and intends to settle on a net basis.

### 3.6 PROPERTY, PLANT AND EQUIPMENT

#### 3.6.1 Computer Equipment and other equipment

Computer equipment and other equipment (comprising fittings and furniture) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Computer equipment and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.6 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of Computer equipment and other equipment. The following useful lives are applied:

| | % |
|---|---|
| Furniture and fittings | 10 |
| Computer equipment | 25 |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.7 LEASED ASSETS

#### 3.7.1 The Company as a lessor

As a lessor the Company classifies its leases as operating leases.

The Company assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases. The Company has currently not entered into any lease that is classified as a finance lease.

Rental income is accounted for on a straight-line basis over the lease term and is included in revenue due to its operating nature.

### 3.8 IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units that has an indefinite useful life or is not yet available for use has been allocated (determined by the Company's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.8 IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to the cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### 3.9 INVESTMENT PROPERTY

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model.

Investment properties are revalued every three years with resulting gains and losses recognised in profit or loss. These are included in the statement of financial position at their fair values. See Note 9.

### 3.10 FINANCIAL INSTRUMENTS

#### 3.10.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### 3.10.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial assets, and
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 FINANCIAL INSTRUMENTS (continued)

#### 3.10.3 Subsequent measurement of financial assets

**Financial assets at amortised cost**
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

**Financial assets at fair value through profit or loss (FVTPL)**
Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Company accounts for the investment at FVTPL. The fair value was determined in line with the requirements of IFRS 13 'Fair Value Measurement'.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Financial assets at fair value through other comprehensive income (FVOCI)**
The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is 'hold to collect' the associated cash flows and sell, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

#### 3.10.4 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 FINANCIAL INSTRUMENTS (continued)

#### 3.10.4 Impairment of financial assets (continued)

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Trade and other receivables and contract assets**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 19.2 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Where consistent with the provisioning horizon, the possible impact of climate risks on the determination of expected credit losses has been integrated.

#### 3.10.5 Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 FINANCIAL INSTRUMENTS (continued)

#### 3.10.5 Classification and measurement of financial liabilities (continued)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### 3.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in liabilities.

### 3.12 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal (par) value of shares that have been issued.

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

### 3.13 SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the Company's financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

#### 3.13.1 Significant management judgements

The preparation of the financial statements requires management to make judgements that have the most significant effect on the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The judgements listed below do not involve estimations (which are addressed in Note 3.12.2), but rather reflect areas where the exercise of professional judgement was necessary.

**Recognition of Deferred Tax Assets**
The extent to which deferred tax assets can be recognised depends on the assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. Significant judgement is also applied in evaluating the impact of legal or economic limitations in the relevant tax jurisdictions (see Note 10.1).

**Contract Revenue**
Judgement is required in determining the appropriate recognition of revenue from long-term contracts under IFRS 15. This includes the assessment of performance obligations, determination of contract duration, selection of the input method to measure progress, and estimation of total contract costs. For complex contracts, contract profitability and costs to complete are subject to significant uncertainty (see Note 4).

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.13 SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (continued)

#### 3.13.1 Significant management judgements (continued)

**Useful Lives and Residual Values of Depreciable Assets**
Management reviews the useful lives and residual values of property, plant and equipment at each reporting date. Judgement is required to assess the expected pattern of economic benefits from these assets, and to consider the impact of factors such as technological change or regulatory developments, particularly for IT equipment and environmentally sensitive assets.

**Fair Value Measurement**
Where active market quotations are not available, the Company applies valuation techniques to estimate the fair value of financial and non-financial assets. Judgement is required in selecting appropriate models and unobservable inputs, which reflect assumptions that market participants would use at the measurement date. Estimated fair values may differ from prices achieved in actual arm's length transactions (see Note 20).

**Recoverability of Loans Receivable**
The Company holds loans to related parties which are assessed for recoverability in accordance with IFRS 9 – Financial Instruments, using the expected credit loss (ECL) model. Judgement is applied in assessing the borrower's credit risk, financial condition, and ability to repay, including reference to the borrower's historic performance and expected future cash flows. Where relevant, this includes consideration of qualitative factors, guarantees, and macroeconomic outlook. No impairment loss was recognised in the current year as management concluded the balances are recoverable in full.

#### 3.13.2 Key Sources of Estimation Uncertainty

The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future and are reviewed on an ongoing basis. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

**Fair Value of Investment Property (IAS 40)**
Valuations are based on independent appraisals which may include unobservable inputs such as projected rental yields, discount rates, and comparable market data. Changes in these inputs may significantly affect the fair value recognised.

**Impairment of Financial Assets (IFRS 9)**
The Company applies the expected credit loss (ECL) model to financial assets measured at amortised cost. This involves significant estimation related to the probability of default, loss given default, and exposure at default. These estimates are influenced by forward-looking macroeconomic data and the financial condition of the counterparty.

## 3 MATERIAL ACCOUNTING POLICIES (continued)

### 3.13 SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY (continued)

### 3.13.2 Key Sources of Estimation Uncertainty (continued)

**Useful Lives of Property, Plant and Equipment (IAS 16)**
The determination of useful lives requires estimation of the period over which assets will generate economic benefits. Technical obsolescence and changes in business strategy may lead to revisions in depreciation schedules.

**Deferred Tax Assets (IAS 12)**
The recognition of deferred tax assets depends on the availability of future taxable profits against which unused tax losses and deductible temporary differences can be utilised. Estimating these profits requires assessing future cash flows and profitability trends.

## 4 REVENUE

| **Contract balances** | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Trade receivables (note 12) | 6,429 | 7,234 |
| Advances received for rental agreements | 5,279 | - |
| Total contract liabilities (Note 16) | 5,279 | - |

The Company derives its revenue as disclosed in note 3.2 and as per below:

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Rental income | 148,132 | 191,581 |
| Interest receivable | 659,266 | 659,266 |
| Interest on loan to third parties | 2,211 | 2,765 |
| | 809,609 | 853,612 |

## 5 OTHER INCOME AND EXPENSES ITEM

This note provides a breakdown of the items included in other gains and losses, finance income and costs and an analysis of expenses by nature.

### 5.1 Other gains and losses

| | 2024 € | 2023 € |
|---|---|---|
| Profit on disposal of investment property | 162,100 | 392,093 |
| Other income | 31,379 | 14,416 |
| Loss on revaluation of investment property | (122,100) | (273,795) |
| Profit on disposal of property, plant and equipment | 25,000 | 9,000 |
| Premium on leased property | 35,000 | - |
| | 131,379 | 141,714 |

### 5.2 Breakdown of expenses by nature

| | 2024 € | 2023 € |
|---|---|---|
| Expected credit losses | 50,013 | - |
| Staff costs (note 5.3) | 13,255 | 10,000 |
| Audit fee | 14,200 | 13,500 |
| Depreciation | 5,629 | 4,530 |
| Other expenses | 143,582 | 81,584 |
| Total administrative expenses | 226,679 | 109,614 |

### 5.3 Staff Costs

| | 2024 € | 2023 € |
|---|---|---|
| Directors remuneration | 13,249 | 10,000 |
| Maternity fund contributions | 6 | - |
| | 13,255 | 10,000 |

Note:

The average number of persons employed by the Company during the current year was 3 (2023: 2).

## 5 OTHER INCOME AND EXPENSES ITEM (continued)

### 5.4 Finance costs

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Interest payable on bonds | 400,000 | 400,000 |
| Amortisation of bond expenses (note 13) | 28,648 | 28,320 |
| Bank interest | 267 | - |
| Bond related expenses | 923 | 6,457 |
| | 429,838 | 434,777 |

## 6 INCOME TAX

### 6.1 Income tax

The tax expense for the year consists of:

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Deferred tax: | | |
| Investment property | (20,800) | (79,505) |
| Final withholding tax: | | |
| Property sales | 22,466 | 78,450 |
| Total tax recognised in the current year | 1,666 | (1,055) |

**Notes to the Financial Statements (continued)**
For the year ended 31 December 2024

## 6 INCOME TAX (continued)

### 6.2 Reconciliation of income tax expense

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to the Company's taxable income. The reconciliation is as follows:

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| Profit before tax | 284,471 | 450,935 |
| Theoretical tax at 35% | 99,565 | 157,827 |
| Tax effect of expenses not subject to tax: | | |
| Depreciation on property, plant and equipment | 1,970 | 1,586 |
| Disallowable expenses | 98,330 | 71,758 |
| Sale of property subject to FWT | (34,269) | (58,783) |
| Group loss relief | (184,251) | (176,355) |
| Investment property revaluations | 42,735 | 95,828 |
| Effect of allowance deductible from rental income | (10,369) | (13,411) |
| Other differences | (20,800) | (79,505) |
| Sale of furniture | (8,750) | - |
| Expected credit losses | 17,505 | - |
| Income tax expense recognised in profit or loss | 1,666 | (1,055) |

## 7 EARNINGS PER SHARE

**7(a) Basic earnings per share**

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| From continuing operations | 0.15 | 0.24 |

**7(b) Reconciliation of earnings used in calculating earnings per share**

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| Profit for the year | 282,805 | 451,990 |

**7(c) Number of shares used as the denominator**

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| Ordinary shares | 1,910,000 | 1,910,000 |

## 8 PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fittings € | Computer equipment € | Total € |
|---|---|---|---|
| Cost/revalued amount | | | |
| At 1 January 2023 | 87,670 | 4,617 | 92,287 |
| Additions | 17,628 | - | 17,628 |
| Disposals | (60,000) | - | (60,000) |
| At 31 December 2023 | 45,298 | 4,617 | 49,915 |
| At 1 January 2024 | 45,298 | 4,617 | 49,915 |
| Additions | 10,986 | - | 10,986 |
| At 31 December 2024 | 56,284 | 4,617 | 60,901 |
| Depreciation | | | |
| At 1 January 2023 | 30,481 | 4,617 | 35,098 |
| Charge for the year | 4,530 | - | 4,530 |
| Disposals | (9,000) | - | (9,000) |
| At 31 December 2023 | 26,011 | 4,617 | 30,628 |
| At 1 January 2024 | 26,011 | 4,617 | 30,628 |
| Charge for the year | 5,629 | - | 5,629 |
| At 31 December 2024 | 31,640 | 4,617 | 36,257 |
| Carrying amounts | | | |
| At 31 December 2024 | 24,644 | - | 24,644 |
| At 31 December 2023 | 19,287 | - | 19,287 |

## 9 INVESTMENT PROPERTY

| | Land and buildings € |
|---|---|
| <u>Fair value</u> | |
| At 1 January 2023 | 3,868,314 |
| Additions | - |
| Disposal | (867,907) |
| Movement in fair value during the year | (317,795) |
| <u>Carrying amounts</u> | |
| At 31 December 2023 | 2,682,612 |
| <u>Fair value</u> | |
| At 1 January 2024 | 2,682,612 |
| Additions | - |
| Disposal | (137,900) |
| Movement in fair value during the year | (122,100) |
| <u>Carrying amounts</u> | |
| At 31 December 2024 | 2,422,612 |

Notes:

a) Note 20.1 sets out how the fair value of the investment properties has been determined.
b) Investment property is rented out to related companies and third parties to generate rental income.

## 10 DEFERRED TAX ASSETS AND LIABILITIES

### 10.1 Deferred tax liabilities

| | 2024 € | 2023 € |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Fair value of investment property | 180,108 | 200,909 |

The deferred tax liability relates to the investment property held by the Company. As at 31 December 2024 the effective rate of tax applicable on the sale of investment property amounts to a 5% -10% final tax on the property's transfer value.

## 11 FINANCIAL ASSETS AND LIABILITIES

### 11.1 Categories of financial assets and financial liabilities

Note 3.9 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

| 31 December 2024 | Amortised cost<br>€ | Total<br>€ |
|---|---|---|
| **Financial assets** | | |
| Other financial assets at amortised cost | 13,620,911 | 13,620,911 |
| Trade and other receivables | 362,059 | 362,059 |
| Total financial assets | 13,982,970 | 13,982,970 |

| | Other liabilities (amortised cost)<br>€ | Total<br>€ |
|---|---|---|
| Non-current borrowings | 7,969,805 | 7,969,805 |
| Current borrowings | 1,656,578 | 1,656,578 |
| Trade and other payables | 189,489 | 189,489 |
| | 9,815,872 | 9,815,872 |

| 31 December 2023 | Amortised cost<br>€ | Total<br>€ |
|---|---|---|
| **Financial assets** | | |
| Other financial assets at amortised cost | 12,889,831 | 12,889,831 |
| Trade and other receivables | 71,455 | 71,455 |
| Total financial assets | 12,961,286 | 12,961,286 |

| | Other liabilities (amortised cost)<br>€ | Total<br>€ |
|---|---|---|
| Non-current borrowings | 7,941,157 | 7,941,157 |
| Current borrowings | 1,126,266 | 1,126,266 |
| Trade and other payables | 260,013 | 260,013 |
| | 9,327,436 | 9,327,436 |

**Notes to the Financial Statements (continued)**
For the year ended 31 December 2024

## 11 FINANCIAL ASSETS AND LIABILITIES (continued)

### 11.1 Categories of financial assets and financial liabilities (continued)

Note:

a) A description of the Company's financial instrument risks, including risk management objectives and policies is given in Note 19.

### 11.2 Other financial assets at amortised cost

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| **Non-current** | | |
| Loans from group companies (note a) | 6,133,014 | 6,159,470 |
| Loans from third parties (note b) | 36,846 | 46,081 |
| | 6,169,860 | 6,205,551 |
| **Current** | | |
| Amounts due from entities under common control of the ultimate beneficiary owners (note c) | 7,451,051 | 6,684,280 |

Notes:

(a) As per the terms of agreement included in the contracts dated 30 November 2016 entered into with the related companies, the amounts due therefrom are repayable at the end of the 10 year period and are subject to an interest rate between 5% - 11% per annum. Amounts are net of expected credit losses as outlined in Note 3.9. Expected credit losses amounted to € 30,406.

(b) The total amounts due from third parties represent dues from Dal Café Limited whose shares were disposed of during the financial year 2017 and sold to third parties. The dues are subject to an interest rate of 6% per annum.

(c) Amounts due from entities under common control of the ultimate beneficiary owners are unsecured, interest free and repayable on demand. Amounts are net of expected credit losses as outlined in Note 3.9. Expected credit losses for the year amount to € 62,054.

## 11 FINANCIAL ASSETS AND LIABILITIES (continued)

### 11.3 Borrowings

Borrowings include the following financial liabilities:

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| *Secured* | | |
| **Non-current** | | |
| 5% Bonds 2026 (note 13) | 7,969,805 | 7,941,157 |
| **Current** | | |
| Bank balance overdrawn | 81,790 | 2,130 |
| | 8,051,595 | 7,943,287 |
| *Unsecured* | | |
| **Current** | | |
| Amounts due to entities under common control of the ultimate beneficiary owners (note) | 1,574,788 | 1,124,136 |

Note:

Amounts due to entities under common control of the ultimate beneficiary owners are unsecured, interest free and repayable on demand.

#### 11.3.1 Bonds

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| 5% Bonds 2026 | 7,969,805 | 7,941,157 |
| Proceeds | 8,000,000 | 8,000,000 |
| Gross amount of bond issue costs | 242,811 | 242,811 |
| <u>Amortisation of gross amount of bond issue costs:</u> | | |
| At 1 January | 183,968 | 155,648 |
| Amortisation for the year | 28,648 | 28,320 |
| Accumulated amortisation at end of year | 212,616 | 183,968 |
| Unamortised bond issue costs | 30,195 | 58,843 |
| Amortised cost and closing carrying amount | 7,969,805 | 7,941,157 |

## 11 FINANCIAL ASSETS AND LIABILITIES (continued)

### 11.3 Borrowings (continued)

### 11.3.1 Bonds (continued)

On 16 September 2016, the Company issued a bond of Euro 80,000 5% Unsecured Bonds having a nominal value of Euro 100 each. The Bonds were issued on 28 September 2016 and were fully subscribed. The bond issue was admitted to the Official List of the Malta Stock Exchange plc with effect from 13 October 2016. Trading on the bond issue commenced on 14 October 2016.

The Bonds are redeemable at par on 7 October 2026. Interest on the bond issued is payable annually in arrears on 7 October.

The Bonds constitute the general, direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank equally without any priority or preference with other present and future unsecured and unsubordinated obligations of the Company.

### 11.4 Other financial instruments

The carrying amounts of the following assets and liabilities are considered a reasonable approximation of fair value:

- trade and other receivables;
- cash and cash equivalents, and
- trade and other payables.

## 12 TRADE AND OTHER RECEIVABLES

| | 2024 | 2023 |
|---|---|---|
| | € | € |
| Trade receivables (gross) | 6,429 | 7,679 |
| Allowance for credit losses | - | (445) |
| Trade receivables | 6,429 | 7,234 |
| Other receivables | 355,630 | 64,221 |
| Financial assets | 362,059 | 71,455 |
| Prepayments | 4,230 | 36,081 |
| Non-financial assets | 4,230 | 36,081 |
| Trade and other receivables | 366,289 | 107,536 |

Notes:

a) All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

## 12 TRADE AND OTHER RECEIVABLES (continued)

b) Note 19.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

## 13 ISSUED CAPITAL

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Authorised | | |
| 1,910,000 ordinary shares of €1 each | 1,910,000 | 1,910,000 |
| Called-up, issued and fully paid | | |
| 1,910,000 ordinary shares of €1 each | 1,910,000 | 1,910,000 |

The holders of ordinary shares are entitled to receive dividends as declared by time to time and are entitled to one vote per share at shareholders' meetings of the Company.

## 14 RETAINED EARNINGS

The profit and loss account represents accumulated retained earnings.

## 15 TRADE AND OTHER PAYABLES

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Trade payables | 50,726 | 96,221 |
| Other payables | 27,350 | 37,813 |
| Accruals | 111,413 | 125,979 |
| Total financial liabilities | 189,489 | 260,013 |
| Advances received for rental agreements | 5,279 | - |
| Privileged creditors | 5,867 | 3,386 |
| Total non-financial liabilities | 11,146 | 3,386 |
| Trade and other payables | 200,635 | 263,399 |

## 15 TRADE AND OTHER PAYABLES (continued)

Notes:

a) All amounts are short-term. The carrying values of trade payables are considered to be a reasonable approximation of fair value.

b) Advances received for rental agreements represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2025.

## 16 RECONCILIATION TO STATEMENT OF CASH FLOWS

Cash and cash equivalents consist of balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Bank balance overdrawn | (81,790) | (2,130) |

The cash and cash equivalents are disclosed net of unrealised differences on exchange.

## 17 RELATED PARTIES

17.1 Parent Company

The Company is a wholly-owned subsidiary of Dizz Group of Companies Limited, the Group's parent Company. The registered office of the parent Company is situated at Dizz Buildings, Carob Street, St. Venera. Dizz Group of Companies Limited which is controlled by Diane Izzo and Karl Izzo who each hold 50% of the issued share capital of Dizz Group of Companies Limited.

17.2 Key management personnel compensation

| | 2024<br>€ | 2023<br>€ |
|---|---|---|
| Directors' remuneration | 13,249 | 10,000 |

17.3 Key management personnel and director transactions

The share capital of the Company is subscribed as to 1 share held by Diane Izzo (director and ultimate beneficiary owner) and 1,909,999 shares held by Dizz Group of Companies Limited. Key management personnel have control over the financial and operating policies of the Company.

**Notes to the Financial Statements (continued)**
For the year ended 31 December 2024

## 17 RELATED PARTIES (continued)

17.4 Related party transactions and balances

| | Notes | Transaction value year ended 31 December 2024 € | 2023 € | Balance outstanding as at 31 December 2024 € | 2023 € |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Rental income | | 42,827 | 90,920 | - | - |
| Interest income | | 659,265 | 659,266 | - | - |
| Financing transaction | | | | | |
| Loans due from group companies | 17.5 | - | - | 6,133,014 | 6,159,470 |
| Amount due from entities under common control of the ultimate beneficiary owners | 17.6 | 303,674 | (794,914) | 5,876,263 | 5,572,589 |
| Amounts due from related companies | 17.7 | (2,030) | (10) | - | 2,030 |
| Amounts due to related companies | 17.7 | 14,475 | - | - | (14,475) |

17.5 As per the terms of agreement included in the contracts dated 30 November 2016 entered into with the related companies, the amounts due therefrom are repayable at the end of the 10 year period and are subject to an interest rate between 5% - 11% per annum.

17.6 The amounts due entities under common control of the ultimate beneficiary owners are unsecured, interest-free and repayable on demand.

17.7 The amounts due from/(to) related companies are unsecured, interest free and repayable on demand.

## 18 FINANCIAL INSTRUMENTS RISK

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 3.9. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Company is exposed are described below.

## 18 FINANCIAL INSTRUMENTS RISK (continued)

### 18.1 Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risks, which result from both its operating and investing activities.

As at the reporting date, the Company has fixed interest bearing liabilities. Fixed interest-bearing liabilities consist of 5% Bonds issued to the general public. The Company's exposure to changes in interest rates on bank overdraft held with financial institutions was limited as the level of borrowings with variable interest-bearing liabilities is immaterial with the level of borrowing with a fixed rate interest rate.

### 18.2 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

#### 18.2.1 Credit risk management

The credit risk is managed by management based on the Company's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Company continuously monitors the credit quality of customers based on a credit rating scorecard. The Company's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Security

The Company does not hold any security on any trade receivables balance at each annual reporting date.

#### 18.2.2 Loans from group companies and third party, amounts due from entities under common control of the ultimate beneficiary owners and trade receivables

The Company has assessed its financial assets and determined that they fall under Stage 1. This stage includes financial instruments that have not experienced a significant increase in credit risk since their initial recognition, or those considered to have low credit risk as of the reporting date. For these assets, a 12-month expected credit loss (ECL) is recognised, which represents the losses expected from possible default events occurring within 12 months after the reporting date. The ECL provision was determined by assigning a credit risk score to Dizz Group of Companies Ltd (the Group), based on both the CAMEL framework and relevant non-financial information, and benchmarking this score against peer companies in the same industry.

## 18 FINANCIAL INSTRUMENTS RISK (continued)

### 18.2 Credit risk analysis (continued)

#### 18.2.2 Loans from group companies and third party, amounts due from entities under common control of the ultimate beneficiary owners and trade receivables (continued)

The closing balance of the ECL on loans from group companies and third parties, amounts due from entities under common control of the ultimate beneficial owners and trade receivables as at 31 December 2024 reconciles with the ECL on loans from group companies and third parties, amounts due from entities under common control of the ultimate beneficial owners and trade receivables opening balance as follows:

| | |
|---|---|
| **Loans from group companies and third party** | |
| Opening loss allowance at 1 January 2023 | 3,950 |
| Loss allowance recognised during the year | - |
| Loss allowance as at 31 December 2023 | 3,950 |
| | |
| Opening loss allowance at 1 January 2024 | 3,950 |
| Loss allowance recognised during the year | 26,456 |
| Loss allowance as at 31 December 2024 | 30,406 |
| | |
| **Amounts due from entities under common control of the ultimate beneficiary owner** | |
| Opening loss allowance at 1 January 2023 | 38,052 |
| Loss allowance recognised during the year | - |
| Loss allowance as at 31 December 2023 | 38,052 |
| | |
| Opening loss allowance at 1 January 2024 | 38,052 |
| Loss allowance recognised during the year | 24,002 |
| Loss allowance as at 31 December 2024 | 62,054 |
| | |
| **Trade receivables** | |
| Opening loss allowance at 1 January 2023 | 56 |
| Loss allowance recognised during the year | 389 |
| Loss allowance as at 31 December 2023 | 445 |
| | |
| Opening loss allowance at 1 January 2024 | 445 |
| Loss allowance recognised during the year | (445) |
| Loss allowance as at 31 December 2024 | - |

### 18.3 Liquidity risk analysis

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over both the lookout periods.

## 18 FINANCIAL INSTRUMENTS RISK (continued)

### 18.3 Liquidity risk analysis (continued)

The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 31 December 2024 and 2023, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| | Carrying amounts € | Contractual cash flows € | 1-12 months € | 2-5 years € | After 5 years € |
|---|---|---|---|---|---|
| **At 31 December 2024** | | | | | |
| Bank balance overdrawn | 81,790 | 81,790 | 81,790 | - | - |
| Trade and other payables | 78,076 | 78,076 | 78,076 | - | - |
| Bond loan | 7,969,805 | 8,800,000 | 400,000 | 8,400,000 | - |
| | 8,129,671 | 8,959,866 | 559,866 | 8,400,000 | - |
| **At 31 December 2023** | | | | | |
| Bank balance overdrawn | 2,130 | 2,130 | 2,130 | - | - |
| Trade and other payables | 134,034 | 134,034 | 134,034 | - | - |
| Bond loan | 7,941,157 | 9,200,000 | 400,000 | 8,800,000 | - |
| | 8,077,321 | 9,336,164 | 536,164 | 8,800,000 | - |

## 19 FAIR VALUE MEASUREMENT

### 19.1 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

| At 31 December 2024 | Level 1 € | Level 2 € | Level 3 € | Total € |
|---|---|---|---|---|
| Investment property | | | | |
| Land owned in Malta | - | 2,265,000 | - | 2,265,000 |

| At 31 December 2023 | Level 1 € | Level 2 € | Level 3 € | Total € |
|---|---|---|---|---|
| Investment property | | | | |
| Land owned in Malta | - | 2,565,000 | - | 2,565,000 |

**Notes to the Financial Statements (continued)**
For the year ended 31 December 2024

## 19 FAIR VALUE MEASUREMENT (continued)

### 19.1 Fair value measurement of non-financial assets (continued)

The fair value of the Company's main property assets is estimated based on appraisals performed by independent, professionally qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the directors at each reporting date.

The fair value of the Company's investment property has been arrived at on the basis of a valuation carried out by Architect MMK Studio who is independent valuer not related to the Company. The valuation conforms to International Valuation Standards. The fair value of investment property was determined based on the market value approach that reflects the estimated amount for which an asset (or property) should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## 20 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Company monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented in the consolidated statement of financial position and cash flow hedges recognised in other comprehensive income.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 21 EVENTS AFTER THE REPORTING DATE

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorisation.

## 22 COMPARATIVE FIGURES

Comparative figures were adjusted to reflect this year presentation.