FINANCE PLC

19-25, Conservatory Street, Floriana, Malta
Company Registration Number C89431
(the "Company")

Company Announcement

The following is a company announcement issued by FES Finance p.l.c. (C 89431), hereinafter the "Company" of FES Finance p.l.c., 19-23, Conservatory Street, Floriana, Malta, pursuant to the Rule 4.11.13 of the Prospects MTF Rules.

Reference is made to the company announcements FES 67 which stated that the Boards of Directors of the Company and Guarantor were scheduled to meet on the 27 May 2024:

1. to consider and, if deemed appropriate, approve the Company's and the Guarantor's audited financial statements for the financial year ended 31 December 2023; and

2. to consider the declaration of a final dividend to be recommended to the Company's and Guarantor's annual general meeting.

The Boards of Directors of the Company and Guarantor approved the Annual Report and Financial Statements for the financial year ended 31 December 2023 for the Company and the Guarantor and resolved that these be submitted for the approval of the shareholders at the Annual General Meeting.

The Annual General Meeting of the Company and the Guarantor will be held on 31 May 2024 at the registered office of the Company. The following matters will be put for the consideration of its Members, to be decided upon by an Ordinary Resolution:

a. The approval of the Company's and the Guarantor's Audited Financial Statements for the year ended 31 December 2023;

b. Maintaining the Director's remuneration;

c. The re-appointment of the Directors;

d. The re-appointment of the Auditors; and

e. The declaration of dividend.

Dr Reuben Debono

Company Secretary

29 May 2024

FES FINANCE P.L.C.

Annual Report
and
Financial Statements
31 December 2023

Company Registration Number C 89431

CONTENTS

The directors present the annual report together with the audited financial statements of FES Finance p.l.c. (the Company) for the year ended 31 December 2023.

Principal Activities

The Company's principal activity is to carry on the business of a finance company, principally by advancing capital raised to its parent company, FES Projects Ltd ('the parent'), when and as required.

Performance Review

During the year, the Company generated finance income amounting to €293,516 (2022: €293,516) from loan advanced to parent company and fellow subsidiary. Interest expense on bonds amounted to €250,000 (2022: €250,000) and on third party loan amounted to €31,500 (2022: €31,500). The Company's profit before taxation amounted to €4,210 (2022: €3,806). After accounting for taxation, the profit for the year amounted to €2,736 (2022: €2,474).

Position Review

The Company's asset base as at 31 December 2023 amounted to €6,487,141 (2022: €6,410,418). The key assets consist of loan receivable from the parent amounting to €5,686,029 (2022: €5,446,104).

The Company's main liabilities consist of €5,000,000 5% Secured Bonds 2029 and €1,000,000 3.15% third party loan.

Dividends and Reserves

The retained earnings of the Company at the end of the year amounted to €9,706 (2022: €6,970). The directors do not recommend the distribution of a dividend and propose to transfer the profit for the year to reserves.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 21 to these financial statements.

Events Subsequent to the Statement of Financial Position Date

The directors assessed subsequent events from 1 January 2024 through 27 May 2024, the date these financial statements were approved. Through such assessment, the directors have determined that there were no particular important events affecting the Company which occurred subsequent to the statement of financial position date.

Future Developments

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

Directors

Dr. Ruben Debono (Executive and Chairman)
Mr. Christopher Vella (Executive)
Mr. Alex Tanti (Non-Executive)
Mr. David Woodward (Non-Executive) (resigned 30 June 2023)
Mr. Gabriele Bottacci (Non-Executive) (appointed 18 October 2023)

The Board meets on a regular basis to discuss performance, position and other matters. The Company's Articles of Association do not require any director to retire.

Statement of Directors' Responsibilities

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

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

- ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable in the circumstances;
- adopt the going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Maltese Companies Act, (Cap 386). The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

Additional disclosures

Going Concern

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

Additional disclosures (continued)

Principal risks and uncertainties associated with the Company

The Company's main objective is that of a finance company for the FES Group consisting of FES Projects Ltd (parent company), FES Operations Limited (fellow subsidiary) and Contractors Only Limited (fellow subsidiary). The Company is dependant on the receipt of income from the parent and fellow subsidiary in relation to proceeds which it has advanced in the form of a loan.

Furthermore, the parent owns the Euro Guest House boutique hotel which was closed in 2021 in preparation for the development works as combined with the disruptions brought by the COVID-19 pandemic. The Euro Guest House boutique hotel will be developed together with other major adjoining properties to form an extended stay accommodation (revival living). The permit for this development was granted in November 2022 (PA/09429/19). Consequently, management has been focusing its efforts on the constitution and development of Euro Guesthouse.

The Company's ultimate shareholders have confirmed their commitment to continue providing financial support to the Company and the FES Group to meet their liabilities as they fall due. Therefore, the directors are of the view that the amount receivable from the parent by the Company is recoverable. Also, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

Share Capital Structure

The Company's authorised and issued share capital is €50,000 divided into 50,000 Ordinary Shares of €1 each.

The share capital consists of 49,998 Ordinary 'A' Shares and 2 Ordinary 'B' Shares. Ordinary 'A' grant one voting right for every share held and are participating shares entitled to receive dividend distribution. Ordinary 'B' shares have no voting rights except for the purpose of participating in the appointment or election of directors. Ordinary 'B' shares are not entitled to receive any dividend distributions.

Holdings in excess of 5% of Share Capital

On the basis of information available to the Company, as at 31 December 2023, FES Projects Ltd held 49,998 shares in the Company which is equivalent to 99.996% of its total issued share capital.

There are no arrangements in place as at 31 December 2023, the operation of which may at a subsequent date result in a change in control of the Company.

Appointment and removal of directors

Appointment of directors shall be made at the Annual General Meeting of the Company. The directors shall hold office for a period of one year and are eligible for re-election. An election of the directors shall take place every year at the Annual General Meeting of the Company. Any vacancy among the directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the board of directors. Any vacancy among the directors filled as aforesaid, shall be valid until the conclusion of the next Annual General Meeting, wherein such person shall be eligible for re-election.

Additional disclosures (continued)

Powers of the Directors

The management and administration of the Company is vested in the Board of Directors. The powers of Board members are contained in Articles 12.17, 12.18, 12.19 and 12.20 of the Company's Articles of Association. There are no provisions in the Company's Memorandum and Articles of Association regulating the retirement or non-retirement of directors over an age limit.

Directors' Interests

As at 31 December 2023, non-Executive directors have no beneficial interest in the share capital of the Company. The Executive directors have a direct and an indirect beneficial interest in the share capital of the Company through their shares in FES Projects Ltd. The Executive directors are also the ultimate beneficial owners of the Group.

Contracts with Board Members and Employees

The Company does not have service contracts with any of its Board Members. All directors may be removed from their posts of director by ordinary resolution of the shareholders in a general meeting.

Material Contracts

The Company entered into a loan agreement with its parent FES Projects Ltd for the transfer of funds received from the Bond issue. Details of such contract is set out in Note 11 to the financial statements.

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

In pursuant to Prospects MTF Rules the directors declare that to the best of their knowledge:

- the financial statements give a true and fair view of the financial position and financial performance of the Company and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Maltese Companies Act (Cap. 386); and

- this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

Dr. Ruben Debono
Director

Mr. Christopher Vella
Director

Registered Address:
19 - 23,
Conservatory Street,
Floriana

27 May 2024

The Code adopted by the Company

FES Finance p.l.c. (the 'Company') adheres to the Prospects MTF Rules in their entirety and the stipulations of the said rules in relation to dealing restrictions.

The Company also adheres to The Code of Principles of Good Corporate Governance annexed to the Capital Markets Rules (the 'Code'). The Company is required by the Prospects MTF Rules to include, in the Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Company has adopted the Code and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditor.

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 recommendation. The Company has issued Bonds to the public and has no employees, accordingly some of the provisions are not applicable whilst others are applicable to a limited extent.

The Board

The Board sets the strategy and direction of the Company and retains direct responsibility for appraising and monitoring the Company's financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company so as to protect the interests of Bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the Prospects MTF Rules.

Chairperson and Chief Executive Officer

Due to the size structure of the Company and the nature of its operations, the Company does not employ a Chief Executive Officer (CEO). This function is undertaken by the Executive Directors.

The day to day running of the business is vested with the Executive Directors of the Company.

The Chairman is responsible to lead the Board and set its agenda.

Board Composition

The Board is presently composed of two executive directors and two non-executive independent directors as follows:
Mr. Christopher Vella – Executive Director
Dr. Ruben Debono – Executive Director and Chairman
Mr. Alex Tanti – Independent, Non-Executive Director
Mr. Gabriele Bottacci – Independent, Non-Executive Director

All directors shall hold office from the general meeting at which they are elected until the next annual general meeting. All retiring directors are eligible for re-election.

Internal Control

The Board is responsible for the internal control system of the Company and for reviewing its effectiveness. The internal control system is designed to achieve business objectives and to manage the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses and fraud.

Systems and procedures are in place to control, monitor, report and assess risks and their financial implications. Management accounts, budgets and strategic plans are prepared on a regular basis and are presented to the Board to monitor the performance of the Company on an on-going basis.

Attendance at Board Meetings

Directors meet regularly to review the financial performance of the Company and the system of internal control processes. Board members are notified of meetings by the Company Secretary with the issue of an agenda, which is circulated in advance of the meeting. All directors are entitled to seek independent professional advise at any time on any aspect of their duties and responsibilities at the Company's expense.

The Board met formally 7 times during the year under review.

Committees

The Board does not consider it necessary to appoint a committee to carry out performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

The Board considers that the size and operation of the Company does not warrant the setting up of nomination and remuneration committees. Appointments to the Board are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Company considers that the members of the Board possess level of skill, knowledge and experiences expected in terms of the Code.

Audit Committee

The terms of reference of the Audit Committee consists of supporting the Board in their responsibilities in dealing with issues of risks, control and governance and associated assurance.

The Board set formal rules of engagement and terms of reference of the Audit Committee that establish its composition, role and function, the parameter of its remit and the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the respective board and is directly responsible and accountable to the respective board. The Board reserves the right to change the Committee's terms of reference from time to time.

The Audit Committee has the role to deal with and advise the Board on;

- the monitoring over the financial reporting processes, financial policies, internal control structures and audit of annual financial statements
- the monitoring of the performance of the entity borrowing funds from the Company
- maintaining communication on such matters between the board, management and independent auditors
- facilitating the independence of the external audit process and addressing issues arising from the audit process and;
- preserving the company's assets by understanding the company's risk environment and determining how to deal with such risks.

Audit Committee (continued)

The Audit Committee also has the role and function of considering and evaluating the arm's length nature of proposed transactions to be entered into by the Company and a related party.

The Members of the Audit Committee

The Audit Committee is composed of:

Mr. Alex Tanti (Chairman of the Audit Committee)
Mr. Christopher Vella
Mr. Gabriele Bottacci

Mr. Alex Tanti acts as an independent, non-executive member of the Committee. The Audit Committee is chaired by Mr. Alex Tanti, whilst Mr. Christopher Vella acts as a member. In compliance with the Prospects MTF Rules, Mr. Alex Tanti is the independent, non-executive director, who is competent in accounting and/or auditing matters. The Company believes that the members of the Audit Committee have the necessary experiences, independence and standing to hold office as members thereof.

As stipulated in the terms of reference of the Audit Committee, the Chairman shall have a casting vote in the case of deadlock.

The Directors believe that the current set-up is sufficient to enable to Company to fulfil the objective of the Prospects MTF Rules' terms of reference in this regard.

The Audit Committee met 6 times during the year under review.

Remuneration Statement

Pursuant to the Company's Articles of Association, the maximum aggregate emoluments that may be paid to directors are approved by the shareholder in a general meeting. Remuneration of directors totalled €18,000 during the year under review.

The remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

None of the directors is employed or has a service contract with the Company.

Relations with bondholders and the market

The Company publishes annual financial statements, and when required, company announcements. The Board feels these provide the market with adequate information about its activities.

Conflict of interests

The directors are aware of their responsibility to always act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to the Board. In accordance with the Company's Articles of Association, the directors shall be obliged to disclose their interest in a contract, arrangement or proposal with the Company in accordance with article 145 of the Act and a director shall not vote at a meeting of Directors in respect of any contract, arrangement or proposal in which he has a material interest, whether direct or indirect. Furthermore, the Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company.

During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company. Mr. Christopher Vella and Dr. Reuben Debono have a direct and an indirect beneficial interest in the share capital of the Company, and as such is susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company.

Lastly, the Company has also adopted a document entitled 'Code of Dealing for Directors & Selected Officers and Employees' addressed to all directors and selected officers of the Company. The aim behind this Code is to ensure compliance with the dealing rules applicable to such persons. The Company reminds all directors and senior officers of their obligation to conform to the Code of Dealing on a regular basis.

Corporate Social Responsibility

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of the local community and society at large.

Signed on behalf of the Board of Directors on 27 May 2024 by:

Mr. Alex Tanti
Director and Chairman of the
Audit Committee

Crowe

Horwath Malta
Member Crowe Global

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FES Finance p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FES Finance p.l.c. (the Company), set out on pages 14 to 33, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company, as at 31 December 2023 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 (EU IFRSs) and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of financial statements for the current period. 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.

Recoverability of loans advanced to parent company

Loan receivable include funds advanced to parent company, who is also the guarantor of the bonds issued by the Company. This loan amounted to €5,686,029 as at 31 December 2023, and carries an agreed rate of interest of 5.35% per annum. As at reporting year, the loan receivable from the parent company represents 88% of the total assets of the Company.

Crowe

Key Audit Matters (continued)

Recoverability of loans advanced to parent company (continued)

Loan advances to parent company were from the net proceeds of the bond issued by the Company.

The recoverability assessment of the loan receivable considers the financial position and performance of the parent as well as its cash flow projections.

Due to the significance of the balance of the loan receivable from the subsidiary, and the dependency of the Company on the performance and recoverability of such loans to meet its ongoing obligations, we have considered the recoverability of the loan receivable as key audit matter.

How the scope of our audit responded to the risk

We have inspected the supporting loan agreement, agreed the terms and conditions of the loan and assessed compliance therewith. We have also confirmed the outstanding balances as at year-end with the parent company. The recoverability of the loans were ascertained by assessing the financial soundness of the parent company as well as the value of security held by the parent company, who is also the guarantor of the bonds issued by the company, by referring to the latest financial information through the parent company's financial statements, its cash flow projections and forecasts.

We have also assessed the relevance and adequacy of disclosures relating to the loan receivable from parent company presented in Note 11 to the financial statements.

Findings

On the basis of our work, we concur with management's view that the loan receivable from parent company is recoverable.

Other Information

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

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

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

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

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 directors' report. We have nothing to report in this regard.

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 the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- 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 control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The Prospects MTF Rules issued by the Malta Stock Exchange 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.

Report on Other Legal and Regulatory Requirements (continued)

The Prospects MTF Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 8 has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

Other matters on which we are required to report by exception

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

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

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

Auditor tenure

We were appointed as the statutory auditor by the General Meeting of the Shareholders of the Company on 28 April 2023. The total uninterrupted engagement period as statutory auditor, including previous reappointments amounts to 5 years.

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Provvida
Karm Zerafa Street
Birkirkara BKR1713
Malta

27 May 2024

	Notes	2023 €	2022 €
Finance income	6	293,516	293,516
Finance costs	7	(291,750)	(291,750)
Net interest income		1,766	1,766
Administrative expenses		(62,556)	(57,960)
Other income	8	65,000	60,000
Profit before income tax	9	4,210	3,806
Income taxation	10	(1,474)	(1,332)
PROFIT FOR THE YEAR		2,736	2,474
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,736	2,474
Earnings per share (cents)	19	0.055c	0.049c

The accounting policies and explanatory notes on pages 18 to 32 form an integral part of these financial statements.

FES FINANCE P.L.C.
Statement of Financial Position
As at 31 December 2023

	Notes	2023 €	2022 €
ASSETS			
Non-Current Assets			
Loan receivable	11	5,424,017	5,184,090
Current Assets			
Trade and other receivables	12	1,059,496	1,226,259
Cash and cash equivalents	18	3,628	69
		1,063,124	1,226,328
Total Assets		6,487,141	6,410,418
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up issued share capital	13	50,000	50,000
Retained earnings	14	9,706	6,970
Other equity	15	10,000	-
		69,706	56,970
Non-Current Liabilities			
Interest-bearing borrowings	16	5,946,615	5,936,365
Current Liabilities			
Trade and other payables	17	468,218	414,481
Current tax liability		2,602	2,602
		470,820	417,083
Total Equity and Liabilities		6,487,141	6,410,418

The accounting policies and explanatory notes on pages 18 to 32 form an integral part of these financial statements.

The financial statements on pages 14 to 32 were approved by the Board of Directors on 27 May 2024 and were signed on its behalf by:

Dr. Ruben Debono
Director

Mr. Christopher Vella
Director

	Share Capital €	Retained Earnings €	Other Equity €	Total €
Balance as at 1 January 2022	50,000	4,496	-	54,496
Total comprehensive income for the year				
Profit for the year	-	2,474	-	2,474
Total comprehensive income for the year	-	2,474	-	2,474
Balance at 31 December 2022	**50,000**	**6,970**	**-**	**56,970**
Balance as at 1 January 2023	50,000	6,970	-	56,970
Net contributions by shareholders	-	-	10,000	10,000
Total comprehensive income for the year				
Profit for the year	-	2,736	-	2,736
Total comprehensive income for the year	-	2,736	-	2,736
Balance as at 31 December 2023	**50,000**	**9,706**	**10,000**	**69,706**

The accounting policies and explanatory notes on pages 18 to 32 form an integral part of these financial statements.

FES FINANCE P.L.C.
Statement of Cash Flows
For the year ended 31 December 2023

	Note	2023 €	2022 €
Operating Activities			
Profit for the year before taxation		4,210	3,806
Adjustment for:			
Amortisation of bond issue costs		10,250	10,250
Finance income		(293,516)	(293,516)
Finance costs		281,500	281,500
Other income		(65,000)	(60,000)
		(62,556)	(57,960)
Working capital changes:			
Movement in trade and other receivables		18,518	(409,097)
Movement in trade and other payables		53,737	85,241
Cash generated from / (used in) operations		9,699	(381,816)
Interest received		250,000	250,000
Interest paid		(281,500)	(250,000)
Net Cash used in Operating Activities		(21,801)	(381,816)
Financing Activities			
Loan from third-party		-	1,000,000
Advances from shareholder		10,000	-
Advances to fellow subsidiaries		(4,456)	(530,767)
Advances to related company		(800)	-
Net advances from / (to) parent company		20,615	(87,562)
Net Cash generated from Financing Activities		25,360	381,671
Movement in Cash and Cash Equivalents		3,559	(145)
Cash and cash equivalents at beginning of year		69	214
Cash and Cash Equivalents at end of year	18	3,628	69

The accounting policies and explanatory notes on pages 18 to 32 form an integral part of these financial statements.

1. General Information

FES Finance p.l.c. (the "Company") is a public limited liability company domiciled and incorporated in Malta.

2. Basis of Preparation

Statement of compliance

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

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

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

Going concern

The Company's principal activity is to act as a finance company. The Company in itself does not have substantial assets and is a special purpose vehicle set up to raise finance for the business of the FES Group. The parent company, FES Projects Ltd was set up as the holding company of the Group, and is principally engaged in investing in, acquiring, holding and/or managing any land, building or other property for the purpose of deriving income therefrom.

Furthermore, the parent owns the Euro Guest House boutique hotel which was closed in 2021 in preparation for the development works as combined with the disruptions brought by the COVID-19 pandemic. The Euro Guest House boutique hotel will be developed together with other major adjoining properties to form an extended stay accommodation (revival living). The permit for this development was granted in November 2022 (PA/09429/19). Consequently, management has been focusing its efforts so as to develop the Euro Guest House.

The board of directors continually monitors the operations of the FES Group, and is satisfied that the FES Group will generate sufficient cash flows to meet its payment obligations to the Company, such that the Company continues to meet its obligation with its bondholders. In addition, the Company's ultimate shareholders have confirmed their commitment to continue providing financial support to the Company and the FES Group to meet their liabilities as they fall due.

Therefore, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

2. Basis of Preparation (continued)

Use of estimates and judgements

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

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

3. Changes in Accounting Policies and Disclosures

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. Except for the amendments to IAS 1 and IFRS Practice Statement 2, the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's and Company's accounting policies impacting the Company's financial performance and position, including disclosures.

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

  The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Material accounting policy information is now required to be disclosed instead of significant accounting policies. The amendments explain how an entity can identify material accounting policy information and give examples of when accounting policy information is likely to be material. Accounting policy information may be material due to its nature and is material if users of an entity's financial statements would need it to understand other material information in financial statements.

  In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

  With effect from these financial statements for the year ended 31 December 2023, the Company has consequently limited its disclosure of accounting policies to that information that is material.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's and Company's accounting periods beginning after 1 January 2023. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have possible significant impact on the Group and Company's financial statements in the period of initial application.

4. Significant Accounting Policies

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

Finance income and finance costs

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

Income taxation

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

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

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

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

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

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Financial instruments

Recognition and measurement

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Recognition and measurement (continued)

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

Classification and subsequent measurement

i. Financial assets

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

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

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

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

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

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

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

i. Financial assets (continued)

Business model assessment

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

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

Assessment whether contractual cashflows are SPPI

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

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

Subsequent measurement

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

ii. Financial liabilities

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

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

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

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

Offsetting

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

Impairment

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

For trade receivables the Company applies the simplified approach to measuring expected credit losses as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition. In measuring the expected credit losses on trade receivables, the expected loss rate, the payment profile of sales over a period of time before reporting date and the historical credit losses experience within this period are considered. The historical loss rates are adjusted to reflect current and forward-looking information to trade receivables and the environment in which they operate.

For related party balances, the Company assesses the credit quality of the related companies by taking into account the financial position, performance and other factors. In measuring expected credit losses on these balances, management takes into account, when available, the agreements in place and adherence to the applicable agreements.

4. Significant Accounting Policies (continued)

Cash and cash equivalents

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

Share capital

Ordinary shares

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

Dividend distribution

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

5. Critical Accounting Estimates and Judgements

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

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

6. Finance Income

	2023	2022
	€	€
Interest receivable on long term loan due from parent company	**262,016**	262,016
Interest receivable on amounts due from fellow subsidiary	**31,500**	31,500
	293,516	293,516

7. Finance Costs

	2023 €	2022 €
Interest payable on bond	250,000	250,000
Interest payable on long term third party loan	31,500	31,500
Amortisation of bond issue costs	10,250	10,250
	291,750	291,750

8. Other Income

	2023 €	2022 €
Management fee	65,000	60,000

9. Profit before Income Tax

This is stated after charging the following:

	2023 €	2022 €
Directors' remuneration	18,000	24,000
Amortisation of bond issue costs	10,250	10,250

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

	2023 €	2022 €
Annual statutory audit fees	2,977	2,835
Other non-audit services	300	300

10. Income Taxation

	2023	2022
	€	€
Current tax expense	1,474	1,332
	1,474	1,332

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

	2023	2022
	€	€
Profit before taxation	4,210	3,806
Tax at the applicable statutory rate of 35%	1,474	1,332

11. Loan Receivable

	2023	2022
	€	€
Non- current		
Loan receivable from parent company	5,424,017	5,184,090

Loan receivable relates to the transfer of funds to parent company, generated by the Company from the issue of bonds.

To this respect a loan facility amounting to €4,897,500 is made available to the parent company, which is unsecured, carries interest at 5.35% per annum and is repayable in full by not later than 31 December 2028. Any other balances receivable from parent company are unsecured, interest free and have no fixed date of repayment but are not envisaged to be paid within the next twelve months.

At 31 December 2023 and 31 December 2022, this financial asset was fully performing and as such does not contain impaired assets.

11. Loan Receivable (continued)

Maturity of loan receivable:

	2023	2022
	€	€
Within 2 and 5 years	**2,000,000**	2,000,000
Over 5 years	**3,424,017**	3,184,090
	5,424,017	5,184,090

12. Trade and Other Receivables

	2023	2022
	€	€
Amounts due from fellow subsidiaries	**638,615**	787,660
Amounts due from related company	**102,400**	101,600
Accrued income	**262,016**	262,016
Prepaid expenses	**45,134**	45,134
Indirect tax refundable	**11,331**	29,849
	1,059,496	1,226,259

A loan facility amounting to €1,000,000 is made available to a fellow subsidiary, which is unsecured, carries interest at 3.15% per annum and does not have a fixed date for repayment. Any other balances receivable from the fellow subsidiary are unsecured, interest free and repayable on demand.

Amounts due from other fellow subsidiary and related company are unsecured, interest free and repayable on demand.

As at 31 December 2023 and 31 December 2022, the amounts due from fellow subsidiaries and related company were fully performing and hence do not contain impaired assets.

13. Share Capital

	2023	2022
	€	€
Authorised, Issued and Fully Paid Up		
49,998 Ordinary 'A' shares of €1 each	**49,998**	49,998
2 Ordinary 'B' share of €1 each	**2**	2
	50,000	50,000

14. Retained Earnings

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

15. Other Equity

This amount represents a loan from ultimate shareholders of the Company. It is unsecured, interest-free and repayable exclusively at the option of the Company and for this reason it is classified within equity.

16. Interest-bearing Borrowings

	2023 €	2022 €
Non-current		
5,000,000 5% Secured Bonds 2029 (Note i)	**4,946,615**	4,936,365
Loan from third-party (Note ii)	**1,000,000**	1,000,000
	5,946,615	5,936,365

(i) 5,000,000 5% Secured Bonds 2029

	2023 €	2022 €
Bonds outstanding (face value)	**5,000,000**	5,000,000
Gross amount of bond issue costs	**(102,500)**	(102,500)
Amortisation of gross amount of bond issue costs:		
Amortised bond issue costs brought forward	**38,865**	28,615
Amortisation charge for the year	**10,250**	10,250
Unamortised bond issue costs	**(53,385)**	(63,635)
Amortised cost and closing carrying amount	**4,946,615**	4,936,365

Interest
Interest on the 5% Secured Bonds 2029 is payable annually in arrears, on 18 March of each year.

16. Interest-bearing Borrowings (continued)

(i) 5,000,000 5% Secured Bonds 2029 (continued)

Security
The bonds constitute the general, direct, and unconditional obligations of the Company, guaranteed by FES Projects Ltd, and shall at all times rank *pari passu,* without any priority or preference among themselves.

The secured bonds shall rank with priority or preference with respect to the Security Property, save for such exceptions as may be provided by application law. The payment of the principal under the bonds and one year interest thereon is secured by a first special hypothec over the Security Property which FES Projects Ltd has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. Also, the secured bonds are guaranteed, in respect of both the interest and the principal amount due by FES Projects Ltd.

(ii) Loan from third party

The loan from third party is unsecured, carries an interest rate of 3.15% per annum and does not have a fixed date for repayment but it is not envisaged to be paid within the next twelve months.

17. Trade and Other Payables

	2023 €	2022 €
Trade payables	136,667	113,576
Amounts due to shareholder	10,000	-
Accrued expenses	331,551	300,905
	478,218	414,481

18. Cash and Cash Equivalents

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

	2023 €	2022 €
Cash at bank	3,576	17
Funds held on escrow by the Escrow Agent	52	52
	3,628	69

All proceeds from the bond issue are held by the Escrow Agent and released in accordance with the Escrow Agreement.

19. Related Party Transactions

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

The Company forms part of the FES Group. All companies forming part of the FES Group are related parties since these companies are ultimately owned by FES Projects Ltd which is considered by the directors to be the ultimate controlling party. The FES Group comprises FES Projects Ltd as the parent company and three subsidiaries, FES Finance p.l.c., Contractors Only Limited and FES Operations Limited.

Trading transactions between these companies include items which are normally encountered in a group context. The Group is ultimately owned by Mr. Christopher Vella and Dr. Ruben Debono, who are therefore considered to be related parties. The main related party with whom the transactions are entered is FES Projects Ltd, the guarantor of the borrowings (Note 11).

The Company is a subsidiary of FES Projects Ltd who is the parent company. The registered address of the parent company is 19 – 25, Conservatory Street, Floriana.

	2023	2022
	€	€
Income		
Finance income from parent company	**262,016**	262,016
Finance income from fellow subsidiary	**31,500**	31,500
Management fee charged to fellow subsidiary	**65,000**	60,000
Expenditure		
Recharges to parent company	-	16,500
Loans and Advances		
Advances from shareholder	**(10,000)**	-
Net advances (from) / to parent company	**(20,615)**	87,562
Advances to fellow subsidiaries	**4,456**	530,767
Advances to related company owned by common shareholders	**800**	-

A loan facility amounting to €4,897,500 is made available to the parent company, which is unsecured, carries interest at 5.35% per annum and is repayable in full by not later than 31 December 2028. Any other balances receivable from parent company are unsecured, interest free and have no fixed date of repayment but are not envisaged to be paid within the next twelve months.

A loan facility amounting to €1,000,000 is made available to a fellow subsidiary, which is unsecured, carries interest at 3.15% per annum and does not have a fixed date for repayment. Any other balances receivable from the fellow subsidiary are unsecured, interest free and repayable on demand.

Amounts due from other fellow subsidiary and related company are unsecured, interest free and repayable on demand.

19. Related Party Transactions (continued)

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 9 to the financial statements.

Year end balances arising from related party transactions are disclosed in Notes 11, 12, 15 and 17 to the financial statements.

20. Earnings per Share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	€	€
Net profit attributable to owners of the company	**2,736**	2,474
Weighted average number of ordinary shares in issue (Note 13)	**50,000**	50,000
Earnings per share (cents)	**0.055c**	0.049c

21. Financial Risk Management

At the year end, the Company's main financial assets comprised loan receivable from parent company and cash held at bank. At the year end the Company's main financial liabilities consisted of borrowings and trade and other payables.

The Company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from, and guaranteed by, FES Projects Ltd (parent company).

The Company's principal risk exposures relate to credit risk and liquidity risk. The Company is not exposed to currency risk and the directors consider interest rate risk exposure to be minimal due to matching of interest costs on borrowings with finance income from its loans and receivables.

Timing of Cash Flows

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

21. Financial Risk Management (continued)

Credit Risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of loan receivable from parent company and cash at bank (Notes 11 and 18). The carrying amount of financial assets represents the maximum credit exposure.

The Company's cash at bank is placed with high quality financial institutions. The Company's receivables consist mainly of loan receivable from parent and accordingly credit risk in this respect is limited.

Liquidity Risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 16 and 17). The Company is exposed to liquidity risk arising from its ability to satisfy liability commitments depending on cash inflow receivable in turn from FES Projects Ltd.

Management monitors liquidity risk by means of cash flows forecasts on the basis of expected cash flows over a twelve-month period to ensure that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the parent company where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates in the respective notes to the financial statements.

Capital Management

The Company's bonds are guaranteed by FES Projects Ltd (parent company). Related finance costs are also guaranteed by the parent company. The capital management of the Company therefore consists of a process of regularly monitoring the financial position of the guarantor.

Fair Values of Financial Instruments

At 31 December 2023 and 31 December 2022, the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Company for similar financial instruments.

As at end of the reporting period, the fair values of financial assets and liabilities, approximated the carrying amounts shown in the statement of financial position.

SCHEDULE

1. Administrative Expenses

FES FINANCE P.L.C.
Administration Expenses
For the year ended 31 December 2023

Schedule 1

	2023	2022
	€	€
Audit fee	**2,977**	2,835
Directors' remuneration	**18,000**	24,000
Professional fees	**41,051**	29,828
Other expenses	**528**	1,297
	62,556	57,960

FES PROJECTS LTD

Annual Report
and
Consolidated Financial Statements
31 December 2023

Company Registration Number C 83872

FES PROJECTS LTD
Annual Report and Financial Statements
31 December 2023

CONTENTS

Page

The directors present the annual report together with the audited financial statements of FES Projects Ltd (the Company) and the Group, which comprises the parent FES Projects Ltd and its subsidiaries FES Finance p.l.c., FES Operations Limited and Contractors Only Limited (hereinafter referred to as the Group), for the year ended 31 December 2023.

Principal Activities

The main activity of the Company is that of investing in, acquiring or leasing, holding and managing properties, as well as acting as a holding company.

The principal activity of the subsidiary company, FES Finance p.l.c., is to carry on the business of a finance company, principally by raising finance through the issue of bonds. Contractors Only Limited principal activity is to carry out turnkey services on social housing to both public and private sectors. FES Operations Limited did not trade during the year under review.

Performance Review

The Euro Guest House was closed in 2021 in preparation for the development works resulting in the property change of use, as combined with the disruptions brought by the COVID-19 pandemic. The Euro Guest House boutique hotel will be developed together with other major adjoining properties to form an independent retirement living and hospitality accommodation. The permit for this development was granted in November 2022 (PA/09429/19). Consequently, management has been focusing its efforts raising finance and to develop the new project replacing the Euro Guest House and focusing on a new project.

The Group's costs consist primarily of the direct costs relating to the contracted tenders representing approximately 85% of the contracted revenue that is generated from the real estate services provided by the Group. The Group's administrative expenses amounting to €248,386 mainly comprise professional fees, depreciation charge and directors' remuneration. The Group's finance costs consist of interest payable on the bond and long-term third-party loan.

As a result during the year, the Group generated revenue of €655,145 (2022: €1,253,568) which is mainly derived from real estate services provided to Malita Investments p.l.c. The Group incurred a loss of €307,545 (2022: €98,646). After accounting for taxation, the Group's loss for the year amounted to €311,679 (2022: €56,757).

The Company generated revenue of €33,552 (2022: €123,677) mainly from the sale of construction material to a subsidiary company, Contractors Only Limited. The Company incurred a loss before tax of €249,641 (2022: €252,290). After accounting for taxation, the loss for the year amounted to €252,302 (2022: €153,258).

Position Review

The Group's and the Company's asset base amounted to €10,415,808 and €8,946,192 as at 31 December 2023, respectively. The key assets consist of the Euro Guest House boutique hotel situated in Gzira with a book value of €6,276,424 as at reporting date. The Group and the Company owns also other immovable properties in Senglea and Zebbug.

Dividends and Reserves

The Board of Directors does not propose the payment of dividend. Accumulated losses carried forward at the reporting date amounted to €616,817 (2022: €305,138) for the Group and €757,225 (2022: €504,923) for the Company.

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 Note 24 in these financial statements.

Events Subsequent to the Statement of Financial Position Date

The directors assessed subsequent events from 1 January 2024 through 27 May 2024, the date these financial statements are approved. Through such assessment, the directors have determined that events subsequent to the statement of financial position date occurred as reported in Note 25 to these financial statements.

Future Developments

The directors intend to continue to operate in line with their business plan. The Euro Guest House property in Gzira will no longer be used as a boutique hotel but together with adjoining properties it will be demolished to transform it into a property focused on the extended stay market (revival living).

Going concern

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

Directors

Mr. Christopher Vella
Dr. Reuben Debono

Statement of Directors' Responsibilities

The Maltese Companies Act, (Cap 386) 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 Group and the Company at the end of the financial year and of the profit or loss of the Group and the Company for that year.

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

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company and its undertakings together will continue in business as a going concern;

Statement of Directors' Responsibilities (continued)

The directors are responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

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

Mr. Christopher Vella Director	Dr. Reuben Debono Director

Registered Address:
19 – 25
Conservatory Street
Floriana
Malta

27 May 2024

Horwath Malta
Member Crowe Global

La Provvida, Karm Zerafa Street,
Birkirkara BKR 1713, Malta
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of FES Projects Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FES Projects Ltd (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 7 to 38, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company, as at 31 December 2023, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Basis for Opinion

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

Other Information

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

Other Information (continued)

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

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

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

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

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

- 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 Group's and 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the finyancial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Provvida
Karm Zerafa Street
Birkirkara BKR1713
Malta

27 May 2024

		The Group		The Company	
		2023	2022	**2023**	2022
	Notes	**€**	€	**€**	€
Revenue	6	**655,145**	1,253,568	**33,552**	123,677
Cost of sales and services		**(557,677)**	(900,450)	**(30,011)**	(117,882)
Gross profit		**97,468**	353,118	**3,541**	5,795
Administrative expenses		**(248,386)**	(295,147)	**(126,299)**	(131,202)
Finance costs	7	**(156,627)**	(156,617)	**(126,883)**	(126,883)
Loss before Income Tax	8	**(307,545)**	(98,646)	**(249,641)**	(252,290)
Income taxation	9	**(4,134)**	41,889	**(2,661)**	99,032
LOSS FOR THE YEAR		**(311,679)**	(56,757)	**(252,302)**	(153,258)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(311,679)**	(56,757)	**(252,302)**	(153,258)

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of these financial statements.

FES PROJECTS LTD
Consolidated Statements of Financial Position
As at 31 December 2023

	Notes	The Group 2023 €	The Group 2022 €	The Company 2023 €	The Company 2022 €
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**6,716,055**	6,673,640	**6,698,517**	6,649,456
Investment in subsidiaries	11	**-**	-	**51,438**	51,438
Deferred tax asset	18	**405,250**	409,384	**40,955**	45,089
		7,121,305	7,083,024	**6,790,910**	6,745,983
Current Assets					
Inventory	12	**-**	29,661	**-**	29,661
Trade and other receivables	13	**3,289,693**	1,823,933	**2,153,727**	1,937,413
Contract assets	14	**-**	1,962,692	**-**	-
Cash and cash equivalents	21	**4,810**	1,449	**1,555**	-
		3,294,503	3,817,735	**2,155,282**	1,967,074
Total Assets		**10,415,808**	10,900,759	**8,946,192**	8,713,057
EQUITY AND LIABILITIES					
Capital and Reserves					
Called up issued share capital	15	**1,818,004**	1,818,004	**1,818,004**	1,818,004
Accumulated losses	16	**(616,817)**	(305,138)	**(757,225)**	(504,923)
Other equity	17	**1,045,828**	665,416	**833,418**	661,808
		2,247,015	2,178,282	**1,894,197**	1,974,889
Non-Current Liabilities					
Borrowings	18	**5,946,615**	5,936,365	**5,424,036**	5,184,090
Deferred tax liability	19	**304,000**	304,000	**304,000**	304,000
		6,250,615	6,240,365	**5,728,036**	5,488,090
Current Liabilities					
Borrowings	18	**600,317**	788,000	**-**	-
Trade and other payables	20	**1,256,764**	1,633,015	**1,323,959**	1,250,078
Current tax liability		**61,097**	61,097	**-**	-
		1,918,178	2,482,112	**1,323,959**	1,250,078
Total Equity and Liabilities		**10,415,808**	10,900,759	**8,946,192**	8,713,057

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of these financial statements.

The financial statements on pages 7 to 38 were approved by the Board of Directors on 27 May 2024 and were signed on its behalf by:

Mr. Christopher Vella
Director

Dr. Ruben Debono
Director

The Group

	Share Capital €	Accumulated losses €	Other equity €	Total €
Balances as at 1 January 2022	1,818,004	(248,381)	532,692	2,102,315
Net contributions by shareholders	-	-	132,724	132,724
Total comprehensive loss for the year				
Loss for the year	-	(56,757)	-	(56,757)
Total comprehensive loss for the year	-	(56,757)	-	(56,757)
Balances as at 31 December 2022	**1,818,004**	**(305,138)**	**665,416**	**2,178,282**
Balances as at 1 January 2023	1,818,004	(305,138)	665,416	2,178,282
Net contributions by shareholders	-	-	380,412	380,412
Total comprehensive loss for the year				
Loss for the year	-	(311,679)	-	(311,679)
Total comprehensive loss for the year	-	(311,679)	-	(311,679)
Balances as at 31 December 2023	**1,818,004**	**(616,817)**	**1,045,828**	**2,247,015**

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of these financial statements.

The Company

	Share Capital €	Accumulated losses €	Other equity €	Total €
Balances as at 1 January 2022	1,818,004	(351,665)	533,106	1,999,445
Net contributions by shareholders	-	-	128,702	128,702
Total comprehensive loss for the year				
Loss for the year	-	(153,258)	-	(153,258)
Total comprehensive loss for the year	-	(153,258)	-	(153,258)
Balances as at 31 December 2022	**1,818,004**	**(504,923)**	**661,808**	**1,974,889**
Balances as at 1 January 2023	1,818,004	(504,923)	661,808	1,974,889
Net contributions by shareholders	-	-	171,610	171,610
Total comprehensive loss for the year				
Loss for the year	-	(252,302)	-	(252,302)
Total comprehensive loss for the year	-	(252,302)	-	(252,302)
Balances as at 31 December 2023	**1,818,004**	**(757,225)**	**833,418**	**1,894,197**

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of these financial statements.

		The Group		The Company	
		2023	2022	**2023**	2022
	Note	**€**	€	**€**	€
Operating Activities					
Loss for the year before taxation		**(307,545)**	(98,646)	**(249,641)**	(252,290)
Adjustment for:					
Depreciation expense		**104,796**	104,813	**98,150**	98,167
Amortisation of bond issue costs		**10,250**	10,250	**-**	-
Finance costs		**146,377**	146,367	**126,883**	126,883
		(46,122)	162,784	**(24,608)**	(27,240)
Working capital changes:					
Movement in inventory		**29,661**	35,665	**29,661**	35,665
Movement in trade and other receivables		**(1,215,029)**	(125,055)	**(123,372)**	(34,967)
Movement in contract asset		**1,962,692**	(1,054,949)	**-**	-
Movement in trade and other payables		**(376,252)**	1,107,595	**(55,464)**	262,482
Cash generated from / (used in) operations		**354,950**	126,040	**(173,783)**	235,940
Interest paid		**(281,510)**	(250,000)	**-**	(250,000)
Net Cash generated from / (used in) Operating Activities		**73,440**	(123,960)	**(173,783)**	(14,060)
Investing Activities					
Acquisition of property, plant and equipment		**(1,077)**	(500,372)	**(1,077)**	(479,142)
Net Cash used in Investing Activities		**(1,077)**	(500,372)	**(1,077)**	(479,142)
Financing Activities					
Repayments of bank loans		**(187,683)**	(212,000)	**-**	-
Loan from third party		**-**	1,000,000	**-**	-
Net advances by subsidiaries		**-**	-	**148,636**	457,945
Net advances by shareholders		**380,412**	132,724	**171,610**	128,702
Net advances to related company		**(261,731)**	(317,650)	**(143,831)**	(98,654)
Net Cash (used in) / generated from Financing Activities		**(69,002)**	603,074	**176,415**	487,993
Movement in Cash and Cash Equivalents		**3,361**	(21,258)	**1,555**	(5,209)
Cash and cash equivalents at beginning of year		**1,449**	22,707	**-**	5,209
Cash and Cash Equivalents at End of Year	21	**4,810**	1,449	**1,555**	-

The accounting policies and explanatory notes on pages 12 to 38 form an integral part of these financial statements.

1. General Information

FES Projects Ltd (the "Company") is a limited liability company domiciled and incorporated in Malta.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements include the financial statements of FES Projects Ltd and its subsidiaries, FES Finance p.l.c., FES Operations Limited and Contractors Only Limited.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386).

International Financial Reporting Standard 10, *Consolidated Financial Statements*, requires a parent company to prepare consolidated financial statements in which it consolidates its investment in subsidiaries.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for land which is carried under the revaluation model.

Functional and presentation currency

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

Going concern

FES Projects Ltd was set up as the holding company of the Group, and is principally engaged in investing in, acquiring, holding and/or managing any land, building or other property for the purpose of deriving income therefrom. The Group and the Company owns the Euro Guest House boutique hotel which was closed in 2021 in preparation for the development works as combined with the disruptions brought by the COVID-19 pandemic. The Euro Guest House boutique hotel will be developed together with other major adjoining properties to form an extended stay accommodation (revival living). The permit for this development was granted in November 2022 (PA/09429/19). Consequently, management has been focusing its efforts so as to develop the Euro Guest House.

The directors have reviewed the Company's and the Group's operational cash flow forecasts. The directors continually monitor the operations of the Group and is satisfied that the Group will generate sufficient cash flows to meet its payment obligation with its bondholders. In addition, the Company's ultimate shareholders have confirmed their commitment to continue providing financial support to the Company and the FES Group to meet their liabilities as they fall due. Based on this review, after making enquiries, and in the light of the current financial position, the existing banking facilities and other funding arrangements, the directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

2. Basis of Preparation (continued)

Use of estimates and judgements

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

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

3. Changes in Accounting Policies and Disclosures

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group and Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2023. Except for the amendments to IAS 1 and IFRS Practice Statement 2, the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's and Company's accounting policies impacting the Group and Company's financial performance and position, including disclosures.

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

  The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Material accounting policy information is now required to be disclosed instead of significant accounting policies. The amendments explain how an entity can identify material accounting policy information and give examples of when accounting policy information is likely to be material. Accounting policy information may be material due to its nature and is material if users of an entity's financial statements would need it to understand other material information in financial statements.

  In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

  With effect from these financial statements for the year ended 31 December 2023, the Company has consequently limited its disclosure of accounting policies to that information that is material.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's and Company's accounting periods beginning after 1 January 2023. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have possible significant impact on the Group and Company's financial statements in the period of initial application.

4. Significant Accounting Policies (continued)

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

Revenue recognition

Revenue includes all revenues from the ordinary business activities of the Group. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax.

Revenue from contracts with customers and hospitality services

The Group's revenue from contracts with customers primarily consists of turnkey services to both the public and private sector. Revenue from contracts is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects in exchange for those arrangements, because it typically controls the services before transferring them to the customer. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group, and these can be measured reliably.

The Group's revenue recognition is straight-forward, hence no significant accounting judgement, estimates and assumptions (i.e., in terms of estimating variable considerations and stand-alone selling price) are involved.

Revenue is recognised as follows:

(i) Rendering of real estate services

The Group recognises revenue from real estate services over time because the Group's performance creates or enhances an asset that the customer controls as the asset is enhanced or created. In some cases, the customer simultaneously receives and consumes the benefits provided to them as the Group performs. The Group uses an output method in measuring progress of the services since there is a direct relationship between the Group's efforts (based on the results achieved) and the transfer of services to the customer.

(ii) Revenue from hospitality services

Revenue from hospitality services includes revenue from accommodation, food and beverage services and other ancillary services. Most of the services are provided to customers during their stays in the hotel and depending on the type of booking. Some services would generally be amalgamated into one 'contract' (for example, bed and breakfast).

Each of the services rendered is assessed to be a distinct performance obligation, and if applicable, the Group allocates the transaction price to each of the services rendered to the customer on a relative basis, based on their stand-alone selling price. Revenue from such operations is recognised over time since the customer benefits as the Group is performing; the majority of revenue relates to accommodation (i.e. the amount allocated to such performance obligation is recognised over the customer's stay at the boutique hotel).

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers and hospitality services (continued)

(iii) Property related income

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

(iv) Retail sales

Revenue from sale of construction materials is recognised at a point in time when control of asset is transferred to the customer, generally on delivery of products at the customer's location.

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Leases

The Company as lessor

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

Income taxation

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

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

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

4. Significant Accounting Policies (continued)

Income taxation (continued)

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

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

Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land is shown at fair value based on periodic valuations by external independent valuers. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting year. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as a revaluation reserve in the shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Assets in course of construction are not depreciated.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

The rates of depreciation used are the following:

- Buildings - 2% per annum
- Computer and electronic equipment - 20% per annum
- Furniture and fittings - 20% per annum
- Software - 20% per annum
- Electrical and plumbing - 10% per annum
- Other assets - 10% per annum
- Motor vehicle - 20% per annum
- Air-conditioning - 20% per annum

Land is not being depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

Investment in subsidiaries

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

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

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

4. Significant Accounting Policies (continued)

Financial assets

Classification

The Group classifies its financial assets (other than investment in subsidiaries) as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group classifies its financial assets at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

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

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains / (losses). Impairment losses are presented as a separate line item in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's financial assets are subject to the expected credit loss model.

4. Significant Accounting Policies (continued)

Financial assets (continued)

Impairment (continued)

i. Expected credit loss model

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs.

- Debt securities that are determined to have a low credit risk at the reporting date, and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter year if the expected life of the instrument is less than 12 months). The maximum year considered when estimating ECLs is the maximum contractual year over which the company is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLSs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as a significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ii. Simplified approach model

For trade receivables, the Group applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales over a year of 12 months before 31 December 2022 or 1 January 2022, respectively, and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

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

4. Significant Accounting Policies (continued)

Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provision of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional and excluding any amounts presented as receivable.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The asset is assessed for impairment in accordance with IFRS 9 and, when relevant, the impairment is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods and services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Cost to obtain a contract

The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less.

4. Significant Accounting Policies (continued)

Contract costs (continued)

Costs to fulfil a contract

The costs incurred in fulfilling a contract with a customer that are not within the scope of another standard are recognised as an asset only if (a) the costs relate directly to a contract or an anticipated contract that the Group can specifically identify, (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and (c) the costs are expected to be recovered.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method and comprises expenditure incurred in acquiring the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at the fair value of proceeds, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include deposits held at call with banks.

4. Significant Accounting Policies (continued)

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

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

5. Critical Accounting Estimates and Judgements

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

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

6. Revenue

The table below shows the disaggregation of revenue of the Group and the Company by major sources for the year ended 31 December 2023 and 31 December 2022.

	The Group		**The Company**	
	2023	2022	**2023**	2022
	€	€	**€**	€
Types of goods or service				
Real estate services	**647,303**	1,238,141	**-**	-
Sale of construction material	**4,301**	9,632	**30,011**	117,882
Miscellaneous income	**3,541**	5,795	**3,541**	5,795
	655,145	1,253,568	**33,552**	123,677

6. Revenue (continued)

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Timing of revenue recognition				
Goods transferrred at a point in time	**4,301**	9,632	**30,011**	117,882
Services transferred over time	**650,844**	1,243,936	**3,541**	5,795
	655,145	1,253,568	**33,552**	123,677

Performance obligations

Information about the Group's performance obligation is summarised below:

i. Real estate services

The performance obligation is satisfied over time and payment is generally due upon completion of projects and acceptance of the customer.

ii. Hospitality services

Revenue from such operations is recognised over time since the customer benefits as the Group is performing; the majority of revenue relates to accommodation (i.e. the amount allocated to such performance obligation is recognised over the customer's stay at the boutique hotel).

iii. Retail sales

The performance obligation is satisfied upon delivery of construction material and payment is generally due immediately upon issue of invoice. The transaction price, which is equal to the billing price indicated in the sales invoices issued, is therefore allocated to only one performance obligation.

7. Finance Costs

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Interest payable on bond	**250,000**	250,000	-	-
Interest payable on long term third party loan	**31,500**	31,500	-	-
Amortisation of bond issue costs	**10,250**	10,250	-	-
Capitalisation of interest	**(135,133)**	(135,133)	-	-
Interest on bank	**10**	-	-	-
Interest on loan from subsidiary	-	-	**126,883**	126,883
	156,627	156,617	**126,883**	126,883

8. Loss before Income Tax

This is stated after charging the following:

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Directors' remuneration	**18,000**	24,000	-	-
Depreciation on property, plant and equipment	**104,796**	104,813	**98,150**	98,167
Audit fees	**13,713**	13,060	**3,528**	3,360
Amortisation of bond issue costs	**10,250**	10,250	-	-

Auditor's fee

Fees charged by the auditor for services rendered during the financial year ended 31 December 2023 relate to the following:

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Annual statutory audit fee	**13,713**	13,060	**3,528**	3,360
Other non-audit services	**3,405**	3,355	**350**	350

9. Income Taxation

Amounts recognised in profit or loss

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Current tax expense	-	3,200	-	-
Tax credit on group losses surrendered to a group companies	-	-	**(1,473)**	(53,943)
Deferred tax charge / (credit)	**4,134**	(45,089)	**4,134**	(45,089)
	4,134	(41,889)	**2,661**	(99,032)

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

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Loss before taxation	**(307,545)**	(98,646)	**(249,641)**	(252,290)
Tax at the applicable statutory rate of 35%	**(107,641)**	(34,526)	**(87,374)**	(88,302)
Tax effect of:				
Capital allowances not deductible by way of depreciation	-	-	-	-
Depreciation not included part of capital allowances	**12,983**	12,983	**12,983**	12,983
Maintenance allowance	-	-	-	-
Unrecognised deferred tax	**97,479**	(27,687)	**77,052**	(27,687)
Disallowable expenses	**1,313**	7,341	-	3,974
Tax credit	**4,134**	(41,889)	**2,661**	(99,032)

The potential tax saving arising from unabsorbed tax losses and unabsorbed capital allowances carried forward for set-off against future taxable income of the Group and FES Projects Ltd amounting to €78,979 and €53,183 (2022: €7,005 and €27,687) respectively are not recognised in these financial statements.

10. Property, Plant and Equipment

The Group

	Land €	Buildings €	Furniture & Fittings €	Computer & Electronic Equipment €	Software €	Electrical and plumbing €	Air-conditioning €	Motor Vehicles €	Other Assets €	Assets under construction €	Total €
At 1 January 2022											
Cost / Revalued amount	3,800,000	1,734,784	125,802	6,656	24,137	10,840	710	12,000	288,326	504,783	6,508,037
Accumulated depreciation	-	(76,701)	(62,726)	(2,703)	(11,959)	(1,244)	(142)	(2,399)	(72,082)	-	(229,956)
Net book amount	**3,800,000**	**1,658,083**	**63,076**	**3,953**	**12,178**	**9,596**	**568**	**9,601**	**216,244**	**504,783**	**6,278,081**
Year ended 31 December 2022											
Opening net book amount	3,800,000	1,658,083	63,076	3,953	12,178	9,596	568	9,601	216,244	504,783	6,278,081
Additions	-	230,384	6,375	-	-	-	-	21,230	-	242,383	500,372
Depreciation charge	-	(35,514)	(26,435)	(1,331)	(4,827)	(1,085)	(142)	(6,646)	(28,833)	-	(104,813)
Closing net book amount	**3,800,000**	**1,852,953**	**43,016**	**2,622**	**7,351**	**8,511**	**426**	**24,185**	**187,411**	**747,166**	**6,673,640**
At 31 December 2022											
Cost / Revalued amount	3,800,000	1,965,168	132,177	6,656	24,137	10,840	710	33,230	288,326	747,166	7,008,409
Accumulated depreciation	-	(112,215)	(89,161)	(4,034)	(16,786)	(2,329)	(284)	(9,045)	(100,915)	-	(334,769)
Net book amount	**3,800,000**	**1,852,953**	**43,016**	**2,622**	**7,351**	**8,511**	**426**	**24,185**	**187,411**	**747,166**	**6,673,640**
Year ended 31 December 2023											
Opening net book amount	3,800,000	1,852,953	43,016	2,622	7,351	8,511	426	24,185	187,411	747,166	6,673,640
Additions	-	11,000	-	-	-	-	-	-	-	136,211	147,211
Depreciation charge	-	(35,497)	(26,435)	(1,331)	(4,827)	(1,085)	(142)	(6,646)	(28,833)	-	(104,796)
Closing net book amount	**3,800,000**	**1,828,456**	**16,581**	**1,291**	**2,524**	**7,426**	**284**	**17,539**	**158,578**	**883,377**	**6,716,055**
At 31 December 2023											
Cost / Revalued amount	3,800,000	1,976,168	132,177	6,656	24,137	10,840	710	33,230	288,326	883,377	7,155,620
Accumulated depreciation	-	(147,712)	(115,596)	(5,365)	(21,613)	(3,414)	(426)	(15,691)	(129,748)	-	(439,565)
Net book amount	**3,800,000**	**1,828,456**	**16,581**	**1,291**	**2,524**	**7,426**	**284**	**17,539**	**158,578**	**883,377**	**6,716,055**

10. Property, Plant and Equipment (continued)

The Company

	Land €	Buildings €	Furniture & Fittings €	Computer & Electronic Equipment €	Software €	Electrical and plumbing €	Air-conditioning €	Other Assets €	Assets under construction €	Total €
At 1 January 2022										
Cost / Revalued amount	3,800,000	1,734,784	125,802	6,656	24,137	10,840	710	288,326	504,783	6,496,038
Accumulated depreciation	-	(76,701)	(62,726)	(2,703)	(11,959)	(1,244)	(142)	(72,082)	-	(227,557)
Net book amount	**3,800,000**	**1,658,083**	**63,076**	**3,953**	**12,178**	**9,596**	**568**	**216,244**	**504,783**	**6,268,481**
Year ended 31 December 2022										
Opening net book amount	3,800,000	1,658,083	63,076	3,953	12,178	9,596	568	216,244	504,783	6,268,481
Additions	-	230,384	6,375	-	-	-	-	-	242,383	479,142
Depreciation charge	-	(35,514)	(26,435)	(1,331)	(4,827)	(1,085)	(142)	(28,833)	-	(98,167)
Closing net book amount	**3,800,000**	**1,852,953**	**43,016**	**2,622**	**7,351**	**8,511**	**426**	**187,411**	**747,166**	**6,649,456**
At 31 December 2022										
Cost / Revalued amount	3,800,000	1,965,168	132,177	6,656	24,137	10,840	710	288,326	747,166	6,975,180
Accumulated depreciation	-	(112,215)	(89,161)	(4,034)	(16,786)	(2,329)	(284)	(100,915)	-	(325,724)
Net book amount	**3,800,000**	**1,852,953**	**43,016**	**2,622**	**7,351**	**8,511**	**426**	**187,411**	**747,166**	**6,649,456**
Year ended 31 December 2023										
Opening net book amount	3,800,000	1,852,953	43,016	2,622	7,351	8,511	426	187,411	747,166	6,649,456
Additions	-	11,000	-	-	-	-	-	-	136,211	147,211
Depreciation charge	-	(35,497)	(26,435)	(1,331)	(4,827)	(1,085)	(142)	(28,833)	-	(98,150)
Closing net book amount	**3,800,000**	**1,828,456**	**16,581**	**1,291**	**2,524**	**7,426**	**284**	**158,578**	**883,377**	**6,698,517**
At 31 December 2023										
Cost / Revalued amount	3,800,000	1,976,168	132,177	6,656	24,137	10,840	710	288,326	883,377	7,122,391
Accumulated depreciation	-	(147,712)	(115,596)	(5,365)	(21,613)	(3,414)	(426)	(129,748)	-	(423,874)
Net book amount	**3,800,000**	**1,828,456**	**16,581**	**1,291**	**2,524**	**7,426**	**284**	**158,578**	**883,377**	**6,698,517**

10. Property, Plant and Equipment (continued)

As at 31 December 2023 and 31 December 2022, the following properties have hypothec:

(a) Property having a value of €5.25 million has a first special hypothec registered against it in favour of a Security Trustee for the benefit of a subsidiary's (FES Finance p.l.c.) bondholders.
(b) Property having a value of €788,000 (2022: €1,000,000) has a first general hypothec registered against it for the benefit of a subsidiary's (Contractors Only Limited) creditor.
(c) Property having a value of €788,000 (2022: €1,000,000) has a special hypothec registered against it for the benefit of a subsidiary's (Contractors Only Limited) creditor.

Land was valued by an independent valuer on 25 January 2019, on an open market existing use basis.

The movement in the deferred tax liability arising on the revaluation has been computed on the basis of a tax rate of 8% on the land's sales value, which is equal to its fair value at the reporting date.

The carrying amount of land that would have been included in the financial statements had these assets been carried at cost is €2,249,246 (2022: €2,249,246).

11. Investment in Subsidiaries

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

	The Group		**The Company**	
	2023	2022	**2023**	2022
	€	€	**€**	€
Year ended 31 December				
Opening and closing net book amount	-	-	**51,438**	51,438
At 31 December				
Cost and carrying net book amount	-	-	**51,438**	51,438

11. Investment in Subsidiaries (continued)

The subsidiaries as at 31 December 2023 are shown below:

	Registered Office	Class of shares held	Principal activity	Percentage of shares held 2023	2022
FES Finance p.l.c.	19 -23 Conservatory Street Floriana, Malta	Ordinary shares	Finance company	**99.996%**	99.996%
FES Operations Limited	19 – 23 Conservatory Street Floriana, Malta	Ordinary shares	Non-trading	**100%**	100%
Contractors Only Limited	19 – 25 Conservatory Street Floriana, Malta	Ordinary shares	Turnkey solutions of projects	**100%**	100%

12. Inventory

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Materials	-	29,661	-	29,661

13. Trade and Other Receivables

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Trade receivables	**532**	88,052	**532**	532
Amounts owed by subsidiary	-	-	**401,079**	401,079
Amounts owed by related company	**584,091**	359,269	**585,039**	441,207
Advance deposits and prepaid expenses	**2,704,676**	1,376,612	**1,158,825**	1,088,522
Indirect tax recoverable	-	-	**8,252**	6,073
Other receivables	**394**	-	-	-
	3,289,693	1,823,933	**2,153,727**	1,937,413

Amounts owed by subsidiary and related company are unsecured, interest free and are repayable on demand. As at 31 December 2023 and 31 December 2022, these amounts were fully performing and hence do not contain impaired assets.

The Group's exposure to credit risk and impairment losses in relation to trade and other receivables is reported in Note 24 to the consolidated financial statements.

14. Contract Assets

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
At beginning of year	**1,962,692**	907,743		
Movement during the year	**(1,962,692)**	1,054,949	**-**	-
As at 31 December	**-**	1,962,692	**-**	-

Payment for goods and services rendered is not due from customer until the services are completed and therefore a contract asset is recognised over the period in which the services are performed to represent the Group's right to consideration for services performed to date.

Contract assets arise from real estate services

As at 31 December 2023 and 31 December 2022, these amounts were fully performing and hence do not contain impaired assets.

15. Share Capital

	The Group and the Company	
	2023	2022
	€	€
Authorised		
1,818,004 ordinary shares of €1 each	**1,818,004**	1,818,004
Issued and Fully Paid Up		
1,818,004 ordinary shares of €1 each	**1,818,004**	1,818,004

16. Accumulated Losses

This represents accumulated losses. During the year under review, no dividends were declared nor paid out.

17. Other Equity

This amount represents a loan from ultimate shareholders of the Group. It is unsecured, interest-free and repayable exclusively at the option of the Group and for this reason it is classified within equity.

18. Borrowings

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current				
5,000,000 5% Secured Bonds 2029 (Note i)	**4,946,615**	4,936,365	-	-
Loan from third party (Note ii)	**1,000,000**	1,000,000	-	-
Loan due to subsidiary (Note iii)	-	-	**5,424,036**	5,184,090
	5,946,615	5,936,365	**5,424,036**	5,184,090
Current				
Bank loan (Note iv)	**600,317**	788,000	-	-

(i) 5,000,000 5% Secured Bonds 2029

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Bonds outstanding (face value)	**5,000,000**	5,000,000	-	-
Gross amount of bond issue costs	**(102,500)**	(102,500)	-	-
Amortisation of gross amount of bond issue costs:				
Amortised bond issue costs brought forward	**38,865**	28,615	-	-
Amortisation charge for the year	**10,250**	10,250	-	-
Unamortised bond issue costs	**(53,385)**	(63,635)	-	-
Amortised cost and closing carrying amount	**4,946,615**	4,936,365	-	-

18. Borrowings (continued)

(i) 5,000,000 5% Secured Bonds 2029 (continued)

Interest
Interest on the 5% Secured Bonds 2029 is payable annually in arrears, on 18 March of each year.

Security

The bonds constitute the general, direct, and unconditional obligations of the Group, and shall at all times rank *pari passu*, without any priority or preference among themselves.

The secured bonds shall rank with priority or preference with respect to the Security Property, save for such exceptions as may be provided by application law. The payment of the principal under the bonds and one year interest thereon is secured by a first special hypothec over the Security Property which FES Projects Ltd has agreed to constitute in favour of the Security Trustee for the benefit of Bondholders. Also, the secured bonds are guaranteed, in respect of both the interest and the principal amount due by FES Projects Ltd.

(ii) Loan from third party

The loan from third party is unsecured, carries an interest rate of 3.15% per annum and does not have a fixed date for repayment but it is not envisaged to be paid within the next twelve months.

(iii) Loan to subsidiary

A loan facility amounting to €4,897,500 is made available to the Company (FES Projects Ltd) by its subsidiary FES Finance p.l.c. This loan is unsecured, carries interest at 5.35% per annum and is repayable in full by not later than 31 December 2028. Any other balances payable to subsidiary are unsecured, interest free and have no fixed date of repayment but are not envisaged to be paid within the next twelve months.

(iv) Bank loan

The bank loan is secured by a first general hypothec over a subsidiary's assets, through general and special hypothecary guarantees given by the Group and through a special pledge on the subsidiary's insurance policy.

The effective interest rate at 31 December 2023 is 6.17% p.a. (2022: 5.75% p.a.).

19. Deferred Tax

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

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Deferred tax liability				
At beginning of year	**304,000**	304,000	**304,000**	304,000
Charged to profit or loss (Note 9)	**-**	-	**-**	-
At end of year	**304,000**	304,000	**304,000**	304,000
Deferred tax asset				
At beginning of year	**409,384**	364,295	45,089	-
(Charged) / credited to profit or loss (Note 9)	**(4,134)**	45,089	(4,134)	45,089
At end of year	**405,250**	409,384	**40,955**	**45,089**

Deferred taxation is composed of deferred tax liability and deferred tax asset which is to be recovered and settled after more than twelve months. The deferred taxation at 31 December represents:

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Deferred tax liability				
Temporary differences on:				
Revaluation of land	**304,000**	304,000	**304,000**	304,000
Deferred tax asset				
Temporary differences on:				
Differences between carrying amount of property, plant and equipment and their tax base	**40,955**	45,089	**40,955**	45,089
Unabsorbed capital allowances	**229,634**	229,634	**-**	-
Unabsorbed tax losses	**134,661**	134,661	**-**	-
At end of year	**405,250**	409,384	**40,955**	**45,089**

Deferred taxation is calculated on all temporary differences using the principal tax rate of 35%, except for revaluation of land which is calculated using 8% final withholding tax rate.

20. Trade and Other Payables

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Trade payables	**499,713**	926,565	**57,076**	109,316
Amounts due to subsidiary	-	-	**998,595**	869,232
Accrued expenses	**551,929**	593,118	**268,288**	271,530
Indirect tax payable	**205,122**	113,332	-	-
	1,256,764	1,633,015	**1,323,959**	1,250,078

Amounts owed to subsidiary is unsecured, interest free and repayable on demand.

21. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Cash at bank	**4,810**	538	**1,555**	-
Cash in hand	-	911	-	-
	4,810	1,449	**1,555**	-

22. Related Party Transactions

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

FES Projects Ltd is the parent company of the entities listed in Note 11 (together referred to as the Group). All companies forming part of the Group are related parties since these companies are ultimately owned by FES Projects Ltd which is considered by the directors to be the ultimate controlling party.

Trading transactions between these companies include items which are normally encountered in a group context. The Group is ultimately owned by Mr. Christopher Vella and Dr. Reuben Debono.

22. Related Party Transactions (continued)

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Income				
Sales to subsidiary	**-**	-	**26,328**	108,250
Expenditure				
Interest charged by subsidiary	**-**	-	**126,883**	126,883
Recharges to subsidiary	**-**	-	**13,559**	85,852
Recharges by related company owned by common shareholder	**36,910**	205,056	**-**	-
Capital Expenditure				
Interest charged by subsidiary	**-**	-	**135,133**	135,133
Loans and Advances				
Net advances by shareholders	**380,412**	132,724	**171,610**	128,702
Repayments to subsidiary	**-**	-	**-**	(250,000)
Net advances by subsidiaries	**-**	-	**148,636**	457,945
Net advances to related company owned by common shareholder	**(261,731)**	(317,650)	**(143,831)**	(98,654)

Year end balances arising from related party transactions are disclosed in Notes 13, 17 and 20 to the consolidated financial statements.

23. Contingent Liabilities

The Group has given a first special hypothec on its property in Gzira for the amount of €5,250,000 and a pledge over the Insurance Policy in favour of the Security Trustee.

Furthermore, the Group has given a general hypothec of €788,000 over all of the Company's and a subsidiary's property and a special hypothec on its property situated in Senglea and Zebbug for the amount of €788,000 in favour of the subsidiary's (Contractors Only Ltd) creditor, FCM Bank.

At 31 December 2023 and 31 December 2022, the Group held the following guarantees and suretyships in favour of the Security Trustee:

- Guarantee in relation to the issue of €5,000,000 5% Secured Bonds 2029.
- Suretyship in relation to the loan granted amounting to €5,000,000.

On 29 March 2023, the Group has been served with a precautionary warrant in favour of a supplier for the amount of €31,465. This liability is provided for in the consolidated financial statements (Note 20) as it represented an obligation by the Group as at reporting date. A test of the meter resulted in a 10% extra charge recording extra usage. The supplier is trying to establish what has changed.

On 27 June 2023, a supplier filed a lawsuit against the group for the amount of €22,447 representing dues for construction material provided to the Group. A liability for the amount of €19,900 is provided for in the consolidated financial statements (Note 20). The case is still ongoing. A surveyor's report notes that the amount due to the supplier is €6,700 whilst the supplier keeps contesting this technical report.

As at 31 December 2023, the Group had garnishee orders served against it by trade creditors amounting to €71,729.

During 2023, the Group received a number of judicial and legal letters filed by suppliers of the Group for malicious claims, seeking payment for uncertifiable works in the amount of €118,242. No provision has been made in these consolidated financial statements for these claims as in the directors' opinion, these contingent liabilities are unfounded.

24. Financial Risk Management

At the year end, the Group's main financial assets comprised, trade and other receivables and cash and cash equivalents.

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

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

24. Financial Risk Management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation.

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of trade and other receivables and cash at bank.

Receivables and loans are presented net of an allowance for doubtful receivables. In terms of IFRS 9, the Group applies an ECL model as an allowance for doubtful receivables. The Group assesses the credit quality of its customers, the majority of which are unrated, taking into account the financial position, past experience and other factors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected with customers with an appropriate credit history.

The Group banks only with local financial institution with high quality rating. Management considers the probability of default to be close to zero as the counterparty has a strong capacity to meet its contractual obligations in the near term.

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, where applicable, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral held.

Management considers the credit quality of these financial assets at the end of the reporting year as being acceptable.

While receivables and cash and cash equivalents are subject to impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Liquidity risk

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

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

The carrying amounts of the Group's assets and liabilities are analysed into relevant maturity dates in the respective notes to the consolidated financial statements.

24. Financial Risk Management (continued)

Timing of Cash Flows

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2023.

Fair Value of Financial Instruments

At 31 December 2023 and 31 December 2022 the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. As at end of the reporting year, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

25. Events Subsequent to the Statement of Financial Position Date

On 30 January 2024, a supplier instituted proceedings against the Group for payment of services rendered amounting to €74,567. In the opinion of the directors, this supplier is owed an amount of €37,000 for accepted works performed as the difference represents a claim of a payment for unfinished and uncertified works. A liability for the amount of €37,000 is provided for in the consolidated financial statements (Note 20) as the case is still ongoing.

SCHEDULE

1. Cost of Sales and Services
2. Administrative Expenses

FES PROJECTS LTD **Schedule 1**

Cost of Sales and Services

For the year ended 31 December 2023

	The Group		The Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Construction material				
Opening inventory	**29,661**	65,326	**29,661**	65,326
Purchases	**350**	82,217	**350**	82,217
Closing inventory	**-**	(29,661)	**-**	(29,661)
	30,011	117,882	**30,011**	117,882
Direct overheads				
Cost of turnkey services	**527,666**	775,224	**-**	-
Utilities	**-**	7,344	**-**	-
	527,666	782,568	**-**	-
Cost of sales and services	**557,677**	900,450	**30,011**	117,882

FES PROJECTS LTD
Administration Expenses
For the year ended 31 December 2023

Schedule 2

	The Group		**The Company**	
	2023	2022	**2023**	2022
	€	€	**€**	€
Audit fee	**13,713**	13,060	**3,528**	3,360
Professional fess	**102,918**	50,960	**19,722**	12,181
Depreciation	**104,796**	104,813	**98,150**	98,167
Bank charges	**1,831**	715	**994**	428
Director's remuneration	**18,000**	24,000	**-**	-
Entertainment costs	**1,675**	4,850	**1,675**	4,850
Office supplies	**200**	1,220	**200**	1,220
Subscriptions	**2,030**	5,658	**2,030**	5,658
Fines and penalties	**-**	370	**-**	370
Travelling and accomodation	**-**	2,789	**-**	2,789
Other expenses	**3,223**	86,712	**-**	2,179
	248,386	295,147	**126,299**	131,202