LIDION HOLDINGS P.L.C. – C57008
Level 1, SkyParks Business Centre
Malta International Airport
Luqa LQA 4000
(the **“Company”**)

COMPANY ANNOUNCEMENT

The following is a Company Announcement of the Company in terms of the rules of Prospects MTF issued by the Malta Stock Exchange.

Quote

Results of Board of Directors’ Meeting and Annual General Meeting

The Company makes reference to Company Announcement Ref. No. LDN75 in relation to the Board of Directors’ Meeting and Annual General Meeting held on the 23rd April 2024.

Results of Board of Directors’ Meeting

The Company hereby announces that, during the meeting of its Board of Directors held on the 23rd April 2024, the Board of Directors resolved to approve (i) the Company’s Annual Report and Audited Financial Statements for the year ended 31st December 2023; and (ii) the Financial Sustainability Forecasts for the year starting 1st January 2024.

A copy of the said Annual Report and Audited Financial Statements and Financial Sustainability Forecasts are enclosed herewith and can also be found by accessing this link.

The Company further announces that, following the change in the composition of the Board of Directors as per the resolutions described further below, the Audit Committee of the Company shall now be composed of Mr Stephen Muscat, Mr Kjetil Kjelvik and Mr Trond Dale.

Resolutions adopted at the Company’s Annual General Meeting

The Company hereby announces that the members of the Company approved and adopted the following resolutions at its Annual General Meeting:

General Business

1. Annual Report and Audited Financial Statements

The Company's Annual Report and Audited Financial Statements for the year ended 31st December 2023, as duly approved by the Board of Directors of the Company, have been approved by the members of the Company.

2. Declaration of Dividend

That no dividend shall be distributed by the Company for the period.

3. Appointment of Directors

That the following Directors have been appointed:

(i) Mr Trond Dale, bearer of Norwegian passport numbered CCC545505 and residing at Åsbacken 6 13336, Saltsjöbaden, Sweden (Chairman);
(ii) Mr Stephen Muscat, bearer of Maltese identity card numbered 460561M and residing at 17/1, Kevman, Triq id-Denci, Mellieha, MLH 4110, Malta;
(iii) Mr Frank J. Sekula, bearer of British passport numbered 550030947 and residing at Woolpack Barn, Cotswold Meadows, Great Rissington, Cheltenham, Gloucestershire GL54 2FN United Kingdom of Great Britain and Northern Ireland; and
(iv) Mr Kjetil Kjelvik, bearer of Swedish passport numbered 35265456 and residing at 10, Sjölyckevägen, Billdal 42750, Sweden.

Biographies of New Directors

Mr Trond Dale holds a degree in Economics and Business Administration from the University of St.Gallen. Throughout his career, Mr Dale has furthered his knowledge and experience in the investment banking sector following his involvements as Managing Director and Head of Capital Markets at Chemical Bank in Oslo, Goldman Sachs in London and Credit Agricole in Stockholm. He served and continues to serve on several boards, also in his capacity as Chairman. Recently, Mr Dale has focused on providing financial solutions to small and medium technology and growth companies through ABS Global Factoring and Beringer Finance.

Mr Kjetil Kjelvik holds degrees in Economics, Business and Administration from Friedrich Alexander University of Erlangen-Nürnberg, Germany and from the Business School of Gothenburg University, Sweden. Mr Kjelvik has gained considerable experience in the banking and finance industries throughout his roles within international banks, insurance companies, and institutions, wherein he has been involved in investment products, business development, investor relations, debt and equity capital markets and management.

As at the date hereof, Mr Dale and Mr Kjelvik do not hold any directorship positions in any other entity listed in Malta. Mr Dale and Mr Kjelvik are members of the Board of Directors and Committees within the Company's sole subsidiary, Lidion Bank p.l.c.

The Company wishes to thank Mr Patrick Heininger and Mr Victor Rizzo Giusti for their services throughout the years.

There are no further disclosures to be made in terms of the Prospects MTF Rules.

4. Appointment of Auditors

That the re-appointment of Deloitte Audit Limited has been approved and that the Directors of the Company were authorised to fix their remuneration.

Special Business

- Alterations to the Memorandum and Articles of Association

The Company's updated version of the Memorandum and Articles of Association have been approved by the members of the Company, which shall be submitted to the Malta Business Registry for registration.

Unquote

By order of the Board

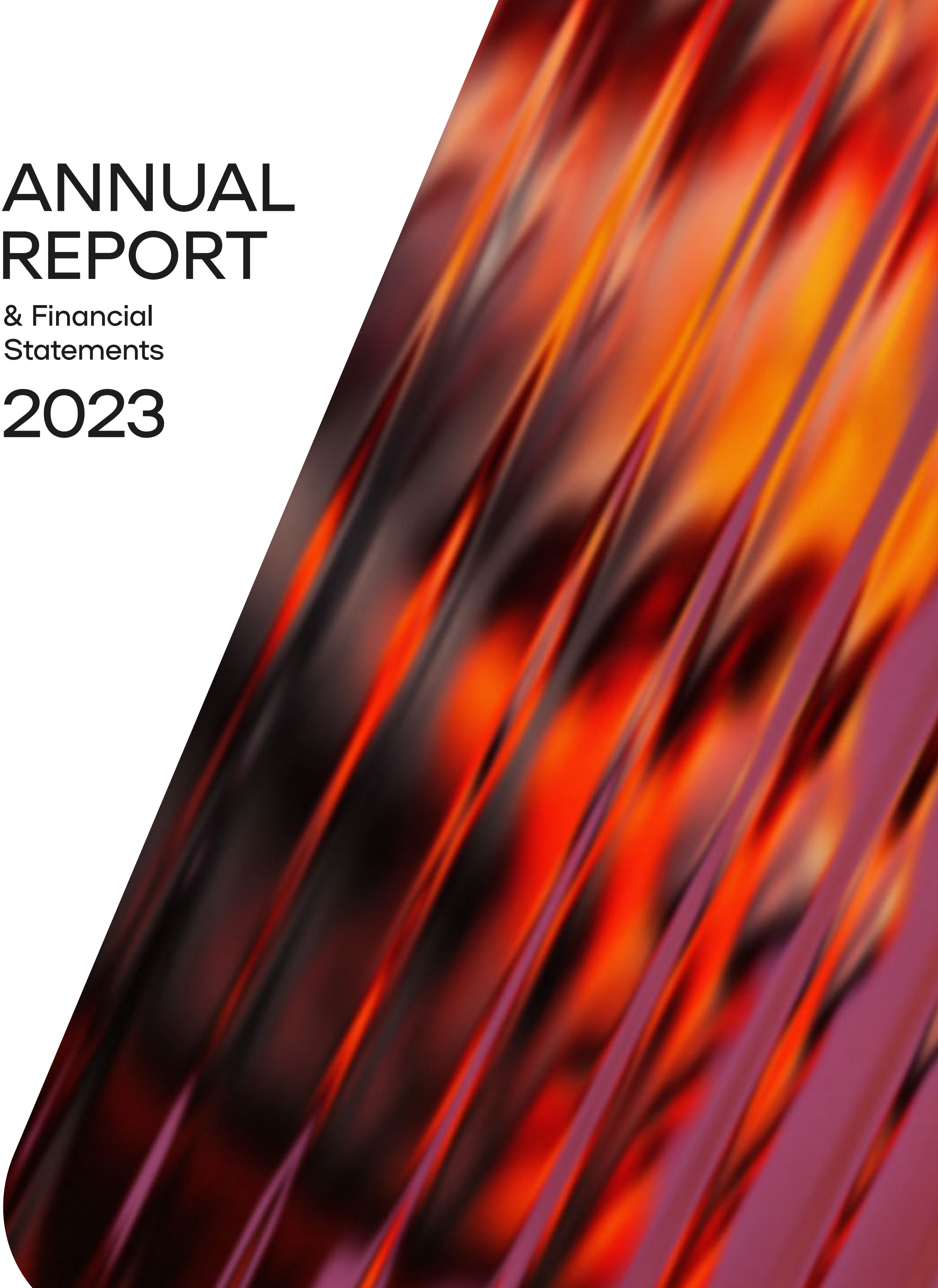
Dr Desiree Cassar
Company Secretary

Date: 23rd April 2024

ANNUAL REPORT

& Financial Statements

2023



Lidion Holdings

formerly **AgriHoldings plc**

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DIRECTORS' REPORT

for the year ended 31 December 2023

Introduction

The directors have the pleasure of submitting their eleventh annual report, together with the audited financial statements of Lidion Holdings plc (formerly AgriHoldings plc) (the "Company") as a standalone and consolidated financial statement which include its subsidiary Lidion Bank plc (formerly AgriBank plc) (separately referred to as "Lidion Bank" or the "Bank") (together "the Group") for the year ended 31 December 2023.

The report covers 12 months from 1 January 2023 to 31 December 2023. The Company's and the Group's performance in this period under review is based on a 12-month window whereas the previous report covers an 18-month window.

During the current financial year, the Company has changed its legal entity name from AgriHoldings plc to Lidion Holdings plc. This change took place on 29th November 2023.

Board of Directors

The following directors served on the Board during the period 1 January 2023 to date:

J. Patrick Heininger *
non-executive director

Stephen Muscat
non-executive director

Victor Rizzo Giusti **
non-executive director

Frank J. Sekula
Chairman and non-executive director

* Mr J. Patrick Heininger, a non-executive director, has communicated his decision to retire and not to offer himself to be re-nominated to the Board of directors at the Annual General Meeting held on 23rd April 2024.

** Mr Victor Rizzo Giusti, a non-executive director, has communicated his decision not to offer himself to be re-nominated to the Board of directors at the Annual General Meeting held on 23rd April 2024.

Company Secretary:
DF Advocates

Directors' responsibilities

The Directors are required by the Companies Act (Cap.386) to prepare financial statements for each financial period by generally accepted accounting principles and practices, which give a true and fair view of the state of the Group which is free from material misstatements as and for the financial period ended 31 December 2023.

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

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable, and
- Prepare the financial statements on a going concern basis unless otherwise determined.

The Directors are responsible for ensuring that proper accounting records are kept which can be used to prepare financial statements that depict an accurate financial position of the Company in compliance with the Companies Act (Cap. 386).

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

Principal activities

Lidion Holdings (formerly AgriHoldings) p.l.c "The Company" is registered in Malta as a public limited liability company under the Companies Act, 1995 (Chapter 386, Laws of Malta). It is a holding company for Lidion Bank (formerly AgriBank) plc, which is licensed by the Malta Financial Services Authority to carry out the business of banking in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta).

The main activities of the Bank involve the provision of various banking services, including bank account and payment services, non-recourse factoring, and various types of lending.

As part of its legacy business strategy, the Group has an agricultural loan portfolio in the United Kingdom which is being reduced, as lending in this sector is no longer being actively pursued.

Dividends

For the year ending 31 December 2023, the Board of Directors proposes that no dividend shall be paid to the shareholders.

Performance review

For the financial year ending 31 December 2023, we recorded a pre-tax profit of €1.4 million, marking a significant increase from the previous 18-month period from July 2021 to December 2022, where we posted a pre-tax profit of €0.6 million; emphasizing the remarkable growth we've achieved.

Our revenue experienced a remarkable surge, growing by 48% to reach €9.9 million (July 2021-December 2022: €6.7 million). This impressive growth has been primarily driven by our Factoring Business, which saw its revenue double to €4.6 million (July 2021-December 2022: €2.3 million).

Our net operating income rose by 26% to €6.8 million (July 2021-December 2022: €5.4 million). A standout contributor to this growth has been our net interest income, which increased by 145% to €5.9 million (July 2021-December 2022: €2.4 million). The notable increase in our net interest income largely reflects the robust expansion of our Factoring Business, a testament to our strategic focus and our ability to meet the evolving needs of our clients.

Further fuelling our financial success has been the strong growth of our Factoring Business, and the Treasury & Cash Management Solution offered to clients. The factoring book grew by 34% to €43 million (December 2022: €32 million). In 2023, the Bank financed €195 million (July 2021 - December 2022: €125 million) worth of digital advertising receivables, a 56% increase. The Factoring Business has become increasingly significant, contributing not only to our bottom line but also to our reputation as a dynamic financial partner capable of supporting businesses in optimising their cash flow and financial operations.

Amidst our significant growth trajectory, we've maintained a vigilant focus on cost management, ensuring that our expansion does not come at the expense of financial prudence. While our Bank has seen substantial growth, our operating expenses witnessed a modest uptick to €5.4 million, compared to €4.7 million during the 18-month period from July 2021 to December 2022. Our disciplined cost control strategy played a pivotal role in enhancing our cost-to-income ratio, now improved to 79% from the 88% observed in the preceding period.

Basis of preparation of financial statements

The financial statements are prepared on a going concern basis after due consideration of the Group's growth, profitability, liquidity, capital adequacy and solvency.

Auditors

A resolution to reappoint Deloitte Audit Limited as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Principal risks and uncertainties

The principal risks and uncertainties of the Group are largely those faced by the Bank. The management of risk is a critical underpinning to the execution of the Bank's strategy. The material risks and uncertainties the Bank faces across its business and portfolios are key areas of management focus.

The primary risks identified by the Bank encompass credit risk stemming from fluctuations in credit quality and the recoverability of loans and amounts owed by counterparties, concentration risk due to an uneven distribution of counterparties, solvency, liquidity and funding and interest rate risks inherent in banking operations. Additionally, other risks under close scrutiny by management encompass, foreign exchange risk, operational risks, financial crime, cyber-security, and business continuity risks. These risks can trigger reputational risk.

The Bank has implemented risk management policies and frameworks to identify and assess these risks, establish appropriate risk limits and controls, and monitor risks and compliance with set limits.

Credit risk

Credit Risk is the risk that a borrower fails to meet the respective obligations in accordance with, or perform according to, the agreed terms.

Lending is one of the Bank's principal activities and, as such, credit risk management is key. The appetite and tolerance levels for credit risk which is deemed acceptable by the Bank is defined and evaluated in the Risk Appetite Framework (RAF), which is approved by the Board and reviewed on an annual basis.

Credit Risk is managed and controlled in various ways, including:

- Operations of the Credit Risk Committee.
- Implementation and management of Credit and Factoring policies.
- Internal credit scoring systems.
- Collaterals
- Forward-looking expected credit loss model for quantifying provisions compliant with the IFRS 9 accounting regime.
- Stress testing relating to credit risk.

Concentration Risk

Concentration risk refers to the potential adverse impact resulting from a significant exposure to specific counterparties, sectors, or geographic regions within a Bank's portfolio. It encompasses the risk of losses arising from dependencies on a limited number of counterparties or a high degree of correlation among exposures. Effective management of concentration risk involves identifying concentrations, assessing their potential impact, and implementing strategies to mitigate associated vulnerabilities.

Concentration is managed by the Bank is managed and controlled in various ways, including:

- Operations of the Credit and Risk Committees.
- Internal Capital Adequacy Assessment Process (ICAAP).
- Implementation and management of Key risk indicators (KRIs).
- Stress testing.

Solvency Risk

Solvency risk refers to the potential threat that the Bank may not have sufficient capital to meet its long-term obligations or commitments. Solvency risk can lead to financial distress, default, or insolvency if not adequately managed. It is a critical concern for stakeholders, including creditors, investors, and regulators, as it impacts the entity's ability to sustain operations and fulfil its obligations over the long term. The Bank effectively manages solvency risk by maintaining adequate capital reserves, undertake prudent financial management practices, and ongoing monitoring of financial health and performance metrics. Capital management is reported and discussed at the ALCO, Risk Committee and also Board. The Bank performs an ICAAP report.

The ICAAP includes an assessment of both Pillar I and Pillar II risks, including credit default, Concentration risk, operational risk, IRRBB risk and other key risks. The Bank's stress testing framework forms an integral part of the ICAAP.

Several severe but plausible scenarios are developed that test the resilience of the Bank's business model and risk profile.

Liquidity and funding risk management

Liquidity risk is the potential that the Bank may be unable to fulfil its financial commitments in the short term and medium term, either partially or wholly, and without incurring unacceptable losses.

Funding risk pertains to the possibility that the Bank cannot meet its financial obligations in the medium to long term, either partially or wholly, or without experiencing a significant increase in funding costs.

Furthermore, funding risk can be viewed as the risk that the Bank's lack stable funding in the medium and long term.

To address these concerns, the Bank actively monitors its liquidity ratios and safeguards its liquidity requirements. Additionally, the Bank conducts regular reviews of its liquidity plans to ensure preparedness.

Additionally, the Bank conducts an Internal Liquidity Adequacy Assessment Process (ILAAP), alongside a Recovery Plan. Moreover, the Bank has instituted an Asset and Liability Committee and integrated Key Risk Indicators (KRIs). These pivotal decision-making tools are instrumental in ensuring the Board of Directors remains well-informed about the Bank's continual risk assessment, the implemented mitigation strategies, and their effects on liquidity requirements.

The Bank's stress testing framework forms an integral part of the ILAAP.

As part of the testing framework, several severe but plausible scenarios are developed that test the resilience of the Bank.

The Group's Senior Secured Noted are due to mature at the end of 2024 and the Group has ample liquidity to repay these, without taking into account any new issuances that may be considered.

Market risk

Market risk refers to the risk of losses arising from adverse movements in market prices.

The Bank's exposure to market risk is mainly related to:

- Interest rate risk.
- Foreign exchange risk.
- Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book refers to the potential adverse impact on the Bank's earnings and capital resulting from fluctuations in interest rates. This risk arises from the maturity mismatch between a Bank's assets and liabilities, as changes in interest rates can affect the value of these financial instruments differently. Interest rate risk in the banking book encompasses both repricing risk, which relates to the timing of interest rate changes. The Bank also looks at the Economic Value of Equity (EVE). This measures the changes in the net present value of the interest rate sensitive instruments over their remaining life resulting from interest rate movements The Bank addresses Interest Rate Risk as part of its Internal Capital Adequacy Assessment Process (ICAAP) and stress testing. Interest rates are a focal point of discussion during meetings of the ALCO.

Foreign exchange risk

Foreign exchange risk refers to the potential adverse impact on a Bank's financial performance resulting from fluctuations in exchange rates. This risk arises from holding assets or liabilities denominated in foreign currencies, which can lead to losses when currencies move unfavourably. The Bank mitigates this risk by employing FX spot transactions and maintains KRIs to hedge against adverse currency movements.

Operational risk

Operational risk encompasses a wide range of potential losses arising from inadequate or failed internal processes, systems, human factors, or external events. This includes errors, fraud, legal risks, regulatory compliance failures, technology failures, disruptions to business continuity, and any other operational breakdowns that could result in financial losses, damage to reputation, or regulatory sanctions.

Operational risk is inherent in the Bank's products, services, and activities.

The Bank's operational risk management framework is fully integrated into the Bank's overall risk management framework.

The Bank continuously invests in human resources, processes, and systems to reduce the risk of not meeting its operational targets.

Financial Crime Compliance Risk

Financial Crime Compliance Risk is defined as the risk of loss resulting from the Bank being exposed to financial crime.

The Bank is committed to combatting financial crime and complying with all applicable laws and regulations relating to financial crime to protect the Bank, its customers, and its employees from financial crime-related risks. The Bank has instituted a Financial Crime Compliance function and a committee to address financial crime.

The Bank promotes zero tolerance for Financial Crime and is dedicated to identifying potentially suspicious activity and vulnerabilities.

Cyber risk

Cyber risk encompasses the potential harm or disruption to an organization's operations, assets, or data caused by cyber-attacks, security breaches, or technological vulnerabilities. This risk includes threats such as malware, phishing scams, ransomware, and insider threats, and it requires robust cybersecurity measures, employee training, and incident response plans to mitigate effectively.

Managing cyber risk involves ongoing monitoring, threat intelligence analysis, and continuous improvement of security controls and protocols. The Bank manages cyber risk as part of its risk management framework. Cyber risks are discussed and reported in detail at the Risk Committee.

Business continuity risk

Business continuity risk refers to the vulnerability of the Bank's critical operations, processes, or services to disruption or failure due to unforeseen events, disasters, or emergencies. This risk can arise from natural disasters, pandemics, supply chain disruptions, or infrastructure failures, and it highlights the importance of having robust business continuity plans, disaster recovery strategies, and resilience measures in place. Effective management of business continuity risk involves identifying critical dependencies, establishing recovery priorities, and conducting regular testing and exercises to ensure readiness for various scenarios.

Reputational risk

Reputational risk refers to the threat of damage to a company's reputation or brand image resulting from negative perceptions, actions, or events. This risk can arise from various risks mentioned above and other events such as ineffective service, unethical behaviour, environmental controversies, or data breaches, and it may lead to loss of customer trust, decreased market value, or regulatory scrutiny. To maintain a strong reputation the Bank proactively manages its products and services, promotes transparent communication, and consistent adherence to ethical standards and corporate values.

Approved by the Board of Directors on 23 April 2024 and signed on its behalf by:

Mr Stephen Muscat
Director

Mr Frank J. Sekula
Chairman

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

A. INTRODUCTION

In order for a Prospects Multi Trading Facility Company ("MTF") to remain admitted on the Malta Stock Exchange, the Prospects Rules issued by the Exchange require that the company shall comply with, provide equivalent disclosure or explain the extent to which it adheres to the relevant corporate governance standards, being The Code of Principles of Good Corporate Governance (the "Code"), published by the Competent Authority.

The Board of Directors (the "Board") is committed to the values of truth, transparency, honesty and integrity in all its actions. The Board strongly believes that the Group benefits from having in place more transparent governance structures and improved relations with the market which enhance market integrity and confidence. The Board acknowledges that the Code recommends principles for the Board and management to pursue objectives that are in the interest of the Group and its shareholders.

Good corporate governance is the responsibility of the Board, and in this regard the Board has adopted a corporate decision-making and supervisory structure that is tailored to its size, nature and operational needs. The Group consists of Lidion Holdings (formerly AgriHoldings)'s (the bond issuer) and Lidion Bank plc (formerly AgriBank plc) as its sole subsidiary.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. The Board was composed of a Non-Executive Chairman and three Non-Executive Directors.

The Board delegates specific responsibilities to the Audit Committee.

Principle 2: Chairman and Chief Executive Officer (CEO)

The Group's current organisational structure incorporates the position of a CEO. The position of the Chairman and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions completely separately from one another. This separation of roles of the Chairman and the CEO avoids concentration of authority and power in one individual.

The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairman ensures that the CEO develops a strategy which is agreed to by the Board.

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being too large as to be unwieldy, is appropriate, considering the size of the Group and its operations.

The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required and add value to the proper functioning of the Board.

Independence of Directors

During the period under review, the Board consisted of a majority of independent directors.

The appointment of all Directors is subject to regulatory approval.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets regularly and discusses and decides upon matters relating to the business of the Company and the Group.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives and business alternatives. The Board also monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to Board Committee.

The Board ensures that it has the appropriate policies and procedures in place, which guarantee that the Company and the Group maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

During the current financial year, the Board met 8 times during which all members attended.

Principle 8: Board Committee: the Audit Committee

The Audit Committee's terms of reference include the monitoring of the financial reporting process, the effectiveness of internal control, internal audit and risk management systems and the audit of the annual and consolidated accounts. The Audit Committee has established internal procedures and monitors these on a regular basis. The Audit Committee also scrutinizes and approves related party transactions. The Audit Committee considers the materiality and the nature of the related party transactions carried out to ensure that the arms' length principle is adhered to at all times. The Audit Committee is also responsible for managing the Board's relationships with the external auditors.

In compliance with Listing Rules 5.117, 5.118 and 5.118A, the Audit Committee is composed of three Non-Executive and Independent Directors and chaired by a warranted accountant.

During the current financial year, the Audit Committee met 4 times during which meetings all members attended.

Principle 9: Relations with Shareholders and with the Market

During the reporting period, the Shareholders attended and voted on ordinary resolutions during the Annual General Meeting, as well for an extraordinary General Meeting.

Moreover, in the same reporting period, the company published its annual financial statements as well as the six-month interim financial statements. The Company also issued 8 Company announcements in 2023.

FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

		THE GROUP		THE COMPANY	
		Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	Note	EUR	EUR	EUR	EUR
Revenue					
Interest income	2	8,071,462	3,144,547	82,113	109,854
Interest expense	3	(2,212,314)	(710,459)	(219,333)	(334,946)
Net interest income		**5,859,148**	**2,434,088**	**(137,220)**	**(225,092)**
Fee and commission income		1,859,014	3,505,541	173,565	260,348
Fee and commission expense		(652,167)	(415,238)	(8,747)	–
Net fee and commission income	4	**1,206,847**	**3,090,303**	**164,818**	**260,348**
Net operating income before net impairment losses		7,065,995	5,524,391	27,598	35,256
Net impairment losses	8	(279,254)	(155,747)	–	–
Net operating income		**6,786,741**	**5,368,644**	**27,598**	**35,256**
Other non-operating (expense) / income	7	–	–	–	440,688
Total other non-operating income		**–**	**–**	**–**	**440,688**
Factoring related expenses	6	726,201	572,065	–	–
Employee compensation and benefits	5	2,624,850	2,256,576	–	–
General administrative expenses	7	1,765,114	1,502,015	144,844	205,680
Amortisation of intangible assets	17	178,490	190,530	104,118	151,956
Depreciation of property, plant and equipment	18	24,544	80,213	–	–
Depreciation of right of use assets		73,476	111,076	–	–
Total expense		**5,392,675**	**4,712,475**	**248,962**	**357,636**
Profit / (loss) before tax	9	1,394,066	656,171	(221,364)	118,308
Income tax (charge) / credit	10	(565,401)	971,834	–	–
Profit / (loss) for the year / period		**828,665**	**1,628,005**	**(221,364)**	**118,308**
Other comprehensive income					
Net gain on debt investments measured at FVOCI	33	–	(70,266)	–	–
Other comprehensive income for the year, net of tax		–	(70,266)	–	–
Total profit / (loss) for the year / period		**828,665**	**1,557,739**	**(221,364)**	**118,308**

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

		THE GROUP		THE COMPANY	
		2023	2022	2023	2022
	Note	EUR	EUR	EUR	EUR
Assets					
Balance with Central Bank of Malta, and cash and cash equivalents	11	77,076,015	33,230,523	39,188	7,323
Investments measured at amortised cost	12	2,491,088	2,524,462	–	–
Finance lease receivable	13	3,176,986	4,602,092	–	–
Loans to customers	14	24,524,643	17,175,537	–	–
Factored receivables	15	42,642,999	31,864,904	–	–
Investment in subsidiary	20	–	–	14,840,466	14,840,466
Investment in subordinated debt		–	–	1,684,000	1,684,000
Assets held for realisation	36	297,099	456,519	–	–
Intangible assets	17	778,492	565,042	321,131	423,917
Property, plant and equipment	18	62,889	40,146	–	–
Deferred tax	19	406,433	971,834	–	–
Right of use asset	16	21,169	61,331	–	–
Other assets	21	118,477	1,313,737	13,734	86,970
Prepayments and accrued income	22	2,625,063	946,385	108,611	182,401
Total assets		**154,221,353**	**93,752,513**	**17,007,130**	**17,225,077**
Liabilities					
Amounts owed to customers	23	135,771,953	77,773,222	–	–
Debt securities in issue	24	4,085,364	4,038,969	4,085,364	4,038,970
Other liabilities	25	1,043,850	1,060,034	947,979	1,032,529
Accruals	26	2,826,650	1,182,976	379,842	338,270
Finance lease creditor	16	22,182	52,682	–	–
Total liabilities		**143,749,999**	**84,107,883**	**5,413,185**	**5,409,769**
Equity					
Share capital	27	8,226,502	8,226,502	8,226,502	8,226,502
Shareholders' advance	28	4,234,004	4,234,004	4,000,000	4,000,000
General banking risk reserve	29	–	87,181	–	–
Currency translation reserve		(563,956)	(563,956)	(130,609)	(130,609)
Accumulated losses		(1,425,196)	(2,339,101)	(501,948)	(280,585)
Total equity		**10,471,354**	**9,644,630**	**11,593,945**	**11,815,308**
Total liabilities and equity		**154,221,353**	**93,752,513**	**17,007,130**	**17,225,077**
Memorandum Items					
Total commitments	30	213,559	1,622,291	–	–
Contingent Liabilities	31	6,506,848	1,152,325	–	–

The notes on pages 14 to 57 are an integral part of these financial statements.
The financial statements on pages 10 to 57 were approved by the Board of Directors and authorised for issue on 23 April 2024 and signed on its behalf by:

Mr Stephen Muscat
Director

Mr Frank J. Sekula
Chairman

STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 December 2023

The Group	Share Capital and advance	Accumulated losses	General banking risk reserve	Excessive NPL Reserve	Revaluation Reserve	Currency translation reserve	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
At 01 July 2021	8,824,857	(4,948,249)	94,550	63,413	70,267	(526,665)	4,239,691
Increase in shareholders' advances	4,000,000	–	–	–	–	–	4,000,000
Transfer to general banking risk reserve	–	7,369	(7,369)	–	–	–	–
Conversion of shareholder advances to share capital	(369,698)	–	–	–	–	(37,291)	(406,989)
Transfer to excessive NPL reserve	–	971,834	–	(63,413)	–	–	908,421
	12,460,505	**(3,969,046)**	**87,181**	**–**	**70,267**	**(563,956)**	**8,741,123**
Profit for the period		656,171					
Other comprehensive income for the period	–	971,834	–	–	(70,267)	–	901,567
At 31 December 2022	**12,460,505**	**(2,341,041)**	**87,181**	**–**	**–**	**(563,956)**	**9,642,690**
Transfer of general banking risk reserve to/(from)	–	87,181	(87,181)	–	–	–	–
	12,460,505	**(2,253,860)**	**–**	**–**	**–**	**(563,956)**	**9,642,690**
Profit for the year	–	828,664			–		828,664
At 31 December 2023	**12,460,505**	**(1,425,196)**	**–**	**–**	**–**	**(563,956)**	**10,471,354**

The Company	Share Capital and advance	Accumulated losses	General banking risk reserve	Revaluation Reserve	Currency translation reserve	Total
	EUR	EUR	EUR	EUR	EUR	EUR
At 30 June 2021	8,564,636	(398,892)	–	–	(468,369)	7,697,375
Derecognition of shareholder advances	(8,463,379)	–	–	–	–	(8,463,379)
Conversion of shareholder advances to share capital	8,125,244	–	–	–	337,760	8,463,004
Increase in shareholders' advances	4,000,000	–	–	–	–	4,000,000
	12,226,501	**(398,892)**	**–**	**–**	**(130,609)**	**11,697,000**
Profit for the period	–	118,308	–	–		118,308
At 31 December 2022	**12,226,501**	**(280,584)**	**–**	**–**	**(130,609)**	**11,815,308**
Loss for the year	–	(221,364)	–	–	–	(221,364)
At 31 December 2023	**12,226,501**	**(501,948)**	**–**	**–**	**(130,609)**	**11,593,944**

STATEMENTS OF CASH FLOWS

for the period ended 31 December 2023

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2022 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2022 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Cash flows from operating activities				
Interest and commission received	8,656,420	6,146,301	249,064	443,882
Interest and commission paid	(1,690,022)	(2,139,683)	(186,506)	(93,594)
Cash payments to employees and suppliers	(5,011,410)	(3,569,945)	(64,441)	(270,104)
Cash flows from / (used in) operating activities before changes in operating assets and liabilities	**1,954,988**	**436,673**	**(1,883)**	**80,184**
Movement in finance lease, loans receivables and factored receivables	(16,924,631)	(32,301,719)	–	–
Movement in other assets	1,357,516	110,683	119,630	(70,768)
Movement in other liabilities	(1,372,326)	874,633	(84,550)	177,940
Movement in amounts owed to customers	59,151,056	38,731,877	–	–
Net cash from operating activities	**44,166,602**	**7,852,147**	**33,197**	**187,356**
Cash flows (used in) investing activities				
Purchase of property, plant and equipment	(47,287)	12,518	–	–
Purchase of intangible assets	(391,940)	(291,526)	(1,331)	(111,849)
Investment in subordinated debt	–	–	–	(78,870)
Amount invested in subsidiary	–	–	–	(4,000,000)
Movement in investment assets and assets for sale	192,793	(147,861)	–	–
Net cash (used in) investing activities	**(246,434)**	**(426,869)**	**(1,331)**	**(4,190,719)**
Cash flows (used in) / from financing activities				
Proceeds from shareholders' advances	–	4,000,000	–	4,000,000
Proceeds from subordinated debts	–	–	–	2,806
Lease payments for principal portion of lease liability	(74,672)	(109,953)	–	–
Payments of debt security in issue	–	(137,142)	–	–
Net cash (used in) / from financing activities	**(74,672)**	**3,752,905**	**–**	**4,002,806**
Net increase /(decrease) in cash and cash equivalents	**43,845,495**	**11,178,186**	**31,866**	**(557)**
Cash and cash equivalents at beginning of year/period	33,230,520	22,052,337	7,322	7,879
Cash and cash equivalents at end of year/period	**77,076,015**	**33,230,523**	**39,188**	**7,322**

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICIES

a. Basis of preparation

The financial statements of Lidion Holdings plc ('the Company, formerly AgriHoldings plc) and its subsidiary (together 'The Group') have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). These financial statements have also been prepared in accordance with the provisions of the Banking Act, 1994 (Cap. 371) and the Companies Act, 1995 (Cap. 386). The financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at their fair value. The financial statements of the Group consist mainly of results obtained in the Bank, therefore most of the notes also refer mostly to the Bank. The report covers 12 months from 1 January 2023 to 31 December 2023. The Group's performance in this period under review is based on a 12-month period whereas the previous report covers an 18-month period.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

Changes in accounting policies

International financial reporting standards effective in the current year

For the purpose of better presentation, a reclassification has taken place in respect to the comparative figures of the stand-alone financial statements in the Statements of Profit or Loss and Other Comprehensive Income from showing a negative general administrative expenses to a new line item 'other non-operating income'.

A reclassification in the comparative year was done in relation to the factoring fee in the statement of profit or loss and other comprehensive income. The variable discount rate is reclassified from fee income to interest income, whereas the fixed fee remains under fee income. The effect of this change is presented below:

	Interest Income	Total fee Income	Net Result in PL
	EUR	EUR	EUR
Period from 1 Jul 2021 to 31 Dec 2022 (prior year)	2,005,672	4,644,416	6,650,088
Reclassification	1,138,875	(1,138,875)	–
Period from 1 July 2021 to 31 Dec 2022 (adjusted after reclassification)	3,144,547	3,505,541	6,650,088

New and amended IFRS Accounting Standards that are effective for the current year:

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies:*

  The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be

1. MATERIAL ACCOUNTING POLICIES (continued)
a. Basis of preparation (continued)

expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction:

  The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

- Amendments to IAS 8 *Accounting Polices, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates:*

  The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and had not yet been adopted by the IASB:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 1 – classification of liabilities as current or non-current
- Amendments to IAS 1 – non-current liabilities with covenants
- Amendments to IAS 7 and IFRS 7 – supplier finance arrangements
- Amendments to IFERS 16 – lease liability is a sale and leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

1. MATERIAL ACCOUNTING POLICIES (continued)

a. Basis of preparation (continued)

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1, published in January 2020, affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

Amendments to IAS 1 Presentation of Financial Statements— Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures— Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

1. MATERIAL ACCOUNTING POLICIES (continued)

a. Basis of preparation (continued)

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements

- the terms and conditions of the arrangements;
- the carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements;
- the carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;
- ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and
- liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

b. Loans and receivables

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost include balances with Central Bank of Malta, cash and cash equivalents, loans to customers and investments at amortised cost. Financial assets at amortised cost are initially recognised at their fair value plus directly attributable transaction costs

Appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Group's accounting policy on ECLs.

Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss.

Interest income is recognised using the effective interest method and is included in the line item 'Interest income'. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

Fair value through the comprehensive income (FVOCI)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at Fair value through profit and loss (FVTPL), are measured at FVOCI. Financial assets at FVTOCI are initially recognised at their fair value plus directly attributable transaction costs.

Movements in the carrying amount are taken through OCI, except for the recogntion of impairment gains or losses on specified dates, interest revenue and foreign exchange gains and losses on the instrument amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on investment securities". Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment

The Group assessed the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered included:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

1. MATERIAL ACCOUNTING POLICIES (continued)
b. Loans and receivables (continued)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Cash flows that represent 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 profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider 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. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Expected credit losses

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortised cost;
- debt instruments that are classified as at fair value through other comprehensive income;
- financial lease receivables;
- factored receivables; and
- irrevocable loan commitments.

Under IFRS 9, the Group will recognise a loss allowance at an amount equal to lifetime ECL, except in the following cases, where the amount recognised will be 12-month ECL:

- financial instruments which have low credit risk at the reporting date; and
- financial instruments on which credit risk has not increased significantly since their initial recognition.

For finance lease receivables, the Group will apply the following accounting policy to measure the loss allowance –the 'three-stage' model below.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9.
- If the financial instrument is deemed to be credit-impaired but not POCI (purchased or originated credit impaired), the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

1. MATERIAL ACCOUNTING POLICIES (continued)

b. Loans and receivables (continued)

The following diagram summarises the 'three-stage' model for impairment under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk (SICR)

The assessment of whether credit risk on a financial asset has increased significantly is one of the critical judgements in implementing the impairment model of IFRS 9. The Group adopts the rebuttable presumption that there was a significant increase in credit risk when the contractual payments are more than 30 days past due.

In the case of the Group's loan portfolio, the objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group assesses SICR through direct client contact, arrears and changes in sectoral levels of the borrower. The Group applies the low credit risk simplification for all investments which are of an investment grade, which comprises the vast majority of its treasury portfolio. The Group accordingly only assesses SICR for investments in those debt securities which are rated as sub-investment grade. For sub-investment grade securities, the Group considers a security to have experienced a significant increase in credit risk if the security has been the subject of a significant credit rating downgrade since initial recognition.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

1. MATERIAL ACCOUNTING POLICIES (continued)

b. Loans and receivables (continued)

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial assets. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL will reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measuring ECL

Under the 'three-stage' model, the ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counter party, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement will also be applied in this process.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL will be presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments: generally, as a provision; and
- Where a financial instrument includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group will present a combined loss allowance for both components. The combined amount will be presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component will be presented as a provision.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Group performs the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

1. MATERIAL ACCOUNTING POLICIES (continued)

b. Loans and receivables (continued)

Where the Group does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis, lifetime ECL is measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, including geographical mainly UK and Malta, industry including agriculture, renewable energy and by collateral classification, immovable property and moveable property.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

For lease receivables, the cash flows used for determining the expected credit loss are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

c. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument.

Financial liabilities are initially measured at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current period, the Group did not designate any financial liabilities at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading, unless they are designated as effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include primarily amounts owed to banks and customers, subordinated liabilities and debt securities in issue.

The gain or loss on financial liabilities classified as at fair value through profit or loss is recognised in profit or loss. For financial liabilities carried at amortised cost, the gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds, net of transaction costs, and the settlement or redemption is recognised over the term of the financial liability.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

d. Recognition, de-recognition and offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

All loans and receivables are recognised when cash is advanced to borrowers.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset and the transfer qualifies for derecognition. A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. MATERIAL ACCOUNTING POLICIES (continued)

e. Intangible assets

Intangible assets comprise trademarks, computer software, computer systems and website costs. In determining the classification of an asset that incorporates both intangible and tangible elements, judgment is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

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

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Intangible assets are initially measured at cost. After initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

f. Depreciation and amortisation

Amortisation of intangible assets commence when these assets are available for use and are charged to profit or loss so as to write off the cost of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

Intangible assets

Trademark	10% per annum
Computer software	20% to 33% per annum
Computer systems	20% per annum
Website costs	33% per annum

The depreciation or amortisation method applied, the residual value and the useful life are reviewed at each reporting date.

g. Impairment of intangible assets

At each reporting date the Group reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss shall be treated as a revaluation decrease to the extent that it does not exceed the amount in the revaluation surplus for that asset. An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

h. Provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

1. MATERIAL ACCOUNTING POLICIES (continued)

i. Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in the statements of comprehensive income because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is determined under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

j. Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Fees and commissions that are earned on the execution of a significant transaction are recognised as revenue when the significant transaction has been completed. Fees and commissions that are earned as services are provided to the client are recognised as revenue as the services are provided. Where fees are charged to cover the cost of a continuing service, these are recognised on an appropriate basis over the relevant period.

When the Bank acts as an agent to arrange for the provision of the specified service by another party revenue is recognized in the amount of any fee or commission to which the Bank expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The fee or commission might be the net amount of consideration that the Bank retains after paying the other party the consideration received in exchange for the services to be provided by that party.

k. Employee benefits

The Group contributes towards the state pension and the social security in accordance with local legislation. The costs of retirement benefits are charged to profit or loss as they accrue.

l. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand or with a contractual period to maturity of less than 90 days; advances to banks repayable within 90 days from the date of the advance and balances with the Central Bank of Malta. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 90 days and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

m. Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Finance charges receivable are recognised in the statements of financial position and income is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease, considering all receipts associated with the lease.

n. Non-current assets held for sale

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

o. Loan commitments

Loan commitments are the Group's commitments to provide credit under pre-specified terms and conditions and are measured as the amount of the loss allowance.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the Expected Credit Losses on the undrawn commitment component from those on the loan component, the Expected Credit Losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined Expected Credit Losses exceed the gross carrying amount of the loan, the Expected Credit Losses are recognised as a provision.

p. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, as adjusted for conditions at the balance sheet date. Actual results could differ from such estimates.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its loan and financial leases portfolio, investments carried at amortised costs and FVOCI and other financial assets. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the year ended 31 December 2023 there was an impairment allowance of EUR 550,447 (2022: EUR 155,747) on the Group's finance lease receivable and loans to customers.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The Group makes an annual assessment of whether or not it will have sufficient taxable profits in the future to realise the deferred tax assets. This is a matter of careful judgement and based on facts and circumstances available as further explained in note 19.

In the process of applying the Group's accounting policies, management has made no other judgements which can significantly affect the amounts recognised in the financial statements. At the reporting date, there were no other key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. INTEREST INCOME

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
On cash at bank	1,653,267	147,052	–	–
On investments	19,360	79,131	–	–
Finance lease interest income	232,702	706,432	–	–
Interest on subordinated debt	–	–	82,113	109,854
Loan interest income	1,695,773	1,073,056	–	–
Interest income from factoring arrangements	4,470,360	1,138,875	–	–
Interest Income	**8,071,462**	**3,144,546**	**82,113**	**109,854**

Interest income on investments consist of the coupon on Malta Government stocks which are detailed in note 12.

3. INTEREST EXPENSE

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
On amounts owed to customers	1,524,158	358,795	–	–
On loan from subsidiary	–	–	17,400	27,550
On debt securities in issue	210,680	307,393	201,933	307,396
On FX hedging transactions	477,476	44,268	–	–
Interest Expense	**2,212,314**	**710,456**	**219,333**	**334,946**

4. NET FEE AND COMMISSION INCOME

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Arrangement fees on finance leases and loans	220,764	386,634	–	–
Corporate fee income	1,486,672	1,930,067	–	–
Factoring fee	–	1,188,840	–	–
Agency fee	151,578	–	–	–
Operating lease income	–	–	173,565	–
Fee and commission income	**1,859,014**	**3,505,541**	**173,565**	**–**
Origination fee on finance leases and loans	(365,633)	(316,767)	–	–
Corporate fee expense	(73,868)	(59,178)	–	–
Other fees	(212,666)	(39,293)	(8,747)	–
Fee and commission expense	**(652,167)**	**(415,238)**	**(8,747)**	**–**
Net fee and commission income	**1,206,847**	**3,090,303**	**164,818**	**–**

5. EMPLOYEE COMPENSATION AND BENEFITS

5.1 Directors' compensation

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Directors' fees	392,735	219,911	–	–
Directors' salaries	196,919	394,577	–	–
Total remuneration for directors	**589,654**	**614,488**	**–**	**–**

All directors' fees and emoluments consist of short-term benefits.

5.2 Personnel expenses including directors incurred during the period are analysed as follows:

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Wages and salaries	2,268,920	2,056,227	–	–
Social security costs	87,173	94,313	–	–
Other staff costs	268,757	106,036	–	–
	2,624,850	**2,256,576**	**–**	**–**

Other staff costs consist of health insurance, staff training and recruitment costs.

5.3 The average number of employees of The Group employed during the period excluding non-executive directors was as follows:

	2023	2022
	Number	Number
Chiefs	3	3
Heads	6	6
Managers	6	3
Senior officers	10	8
Officers	10	9
Other	1	1
Total	**36**	**29**

6. FACTORING RELATED EXPENSES

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Outsourcing and system costs	285,287	348,113	–	–
Insurance costs	214,024	151,670	–	–
Due diligence fees	89,895	58,024	–	–
Deposits funding costs	136,995	14,258	–	–
	726,201	**572,065**	**–**	**–**

7. GENERAL ADMINISTRATIVE EXPENSES

The main categories of general administrative expenses consist of the following:

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Office and IT and financial	819,929	964,559	104,621	159,508
Professional, regulatory and insurance	775,311	502,800	40,223	46,172
Marketing and travelling	169,874	34,656	–	–
	1,765,114	**1,502,015**	**144,844**	**205,680**

Other non-operating income:

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Exchange differences	–	–	–	440,688
	–	**–**	**–**	**440,688**

8. NET IMPAIRMENT LOSSES

	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR
Write Downs:		
On financial assets		
• expected credit loss	(15,472)	159,763
• decrease/(increase) due to write off	262,100	(4,016)
• provision on assets held for realisation (note 36)	32,626	–
Net impairment losses	**279,254**	**155,747**

The following table shows the movement in ECLs that has been recognised for the respective financial assets:

Loans:	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	Loans to customers	Loans to customers	Loans to customers
	EUR	EUR	EUR
Opening balance at 01 Jan 2023	76,859	33,985	230,312
Resulting from new originations during the year	35,580	–	–
Resulting from closing of lending deals during the year	(40,139)	(6,602)	–
	72,300	27,383	230,312
Movement from:			
• 12m ECL to lifetime (credit-impaired) ECL	–	–	47,258
• lifetime (not credit-impaired) to lifetime (credit-impaired) ECL	–	(1,314)	4,027
• lifetime (not credit-impaired) ECL to 12m ECL	11,235	(19,790)	–
Movement during the year	11,235	(21,104)	51,285
Changes in risk parameters	(2,078)	(1,882)	5,531
	9,157	(22,986)	56,816
Closing balance 31 December 2023	**81,457**	**4,397**	**287,129**
Opening balance at 1 July 2021	58,902	55,612	218,897
Resulting from new originations during the year	52,588	6,556	–
Resulting from closing of lending deals during the year	(35,872)	(2,695)	(22,031)
	75,618	59,473	196,866
Movement from:			
• 12m ECL to lifetime (not credit-impaired) ECL	(2,060)	1,359	–
• lifetime (not credit-impaired) to lifetime (credit-impaired) ECL	–	(740)	740
• lifetime (not credit-impaired) ECL to 12m ECL	569	(6,126)	–
Movement during the year	(1,491)	(5,507)	740
Changes in risk parameters	2,731	(19,981)	32,706
	1,240	(25,488)	33,446

8. NET IMPAIRMENT LOSSES (continued)

Finance lease receivables:	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	Finance lease receivables	Finance lease receivables	Finance lease receivables
	EUR	EUR	EUR
Opening balance at 1 Jan 2023	634	–	125,831
Resulting from new originations during the year	–	–	–
Resulting from closing of lending deals during the year	(287)	–	(123,630)
	347	–	2,201
Changes in risk parameters	29	–	358
	29	–	358
Closing balance 31 December 2023	**376**	**–**	**2,559**
Opening balance at 1 July 2021	764	–	96,183
Resulting from closing of lending deals during the year	(351)	–	(2,844)
	413	–	93,339
Changes in risk parameters	220	–	32,492
	220	–	32,492
Closing balance 31 December 2022	634	–	125,831

Factored receivables:	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	Factored receivables	Factored receivables	Factored receivables
	EUR	EUR	EUR
Opening balance at 1 Jan 2023	74,250	19,642	–
Resulting from new originations during the period	77,743	77,318	–
Resulting from closing of lending deals during the period	(74,250)	(19,642)	–
Movement from 12m ECL to lifetime (not credit-impaired) ECL	–	18,650	–
Closing balance 31 December 2023	**77,743**	**95,968**	**–**
Opening balance at 01 July 2021	10,545	3,523	–
Resulting from new originations during the period	74,250	19,642	–
Resulting from closing of lending deals during the period	(10,545)	(3,523)	–
	63,705	16,119	–
Closing balance 31 December 2022	**74,250**	**19,642**	**–**

8. NET IMPAIRMENT LOSSES (continued)

The following table explains how significant changes in the gross carrying amount of certain financial assets (and contract assets) contributed to changes in the loss allowance:

Current year	Exposure	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	EUR	EUR	EUR	EUR
Financial leases				
Settlement in full of finance leases with a gross carrying amount of	318,220	(287)	–	(123,630)
Loans				
New loans during the year	12,726,817	35,580	–	–
Net change in the grading of loans amounting to	402,739	–	–	49,972
Settlement in full of loans with a gross carrying amount of	4,632,612	(40,139)	(6,602)	–
Factored receivables				
New factored receivables during the year	42,816,898	77,743	95,968	–
Settlement in full of factored receivables with a gross carrying amount of	31,958,808	(74,250)	(19,642)	–

Comparative period	Exposure	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	EUR	EUR	EUR	EUR
Financial leases				
New finance leases during the period	83,722	–	–	–
Net change in the grading of finance leases amounting to	185,951	(197)	1,511	–
Settlement in full of finance leases with a gross carrying amount of	(1,369,073)	–	(292)	(18,495)
A significant increase in the credit risk of finance leases with a gross carrying amount of	6,086,159	(6,243)	(22,065)	63,492
Loans				
New finance leases during the period	16,106,389	22,012	–	–
Net change in the grading of loans amounting to	938,578	–	6,404	–
Settlement in full of Loans with a gross carrying amount of	(3,849,793)	(28,803)	(2,364)	(1,090)
A significant (decrease)/increase in the credit risk of Loans with a gross carrying amount of	–	26,454	(4,822)	–
Factored receivables				
New factored receivables during the period	31,958,797	4,138	3	–

9. PROFIT /(LOSS) BEFORE TAX

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Profit / (loss) before tax is stated after charging:				
Total remuneration payable to the Bank's auditors for:	52,500	52,750	10,500	10,750
• the audit of financial statements	2,700	4,500	1,200	1,500
• tax services	11,750	19,200	–	1,200
• non-audit services	**66,950**	**76,450**	**11,700**	**13,450**

10. INCOME TAX (CHARGE) / CREDIT

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jul 2020 to 30 Jun 2021
			EUR	EUR
Deferred tax (charge) / credit	(565,401)	971,834	–	–
	(565,401)	**971,834**	**–**	**–**

The tax recognised in profit or loss on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Profit / (loss) before tax	1,615,430	656,171	–	118,308
Tax at the applicable rate of 35%	(565,401)	(229,660)	–	(41,408)
Deferred tax asset not recognised	–	–	–	41,408
Recognition of previously unrecognised deferred tax asset attributable to unabsorbed losses	–	1,201,494	–	–
Tax income for the period	**(565,401)**	**971,834**	**–**	**–**

11. BALANCES WITH CENTRAL BANK OF MALTA, CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Balances with Central Bank of Malta	74,382,996	32,082,668	–	–
Cash in banks and financial institutions	2,692,517	1,147,550	39,188	7,323
Cash in hand	502	305	–	–
	77,076,015	**33,230,523**	**39,188**	**7,323**

The balance with the Central Bank of Malta includes an amount of EUR 174,863 (2022: EUR 174,863) pledged in favour of the Depositor Compensation Scheme in guarantee of all the Group's eligible depositors.

Cash and cash equivalents comprise balances with less than three months' maturity from date of acquisition, including cash in hand, deposits held at call with banks which carry a fixed rate of interest:

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Cash in banks and financial institutions	2,692,517	1,147,550	39,188	7,323
Cash in hand	502	305	–	–
	2,693,019	**1,147,855**	**39,188**	**7,323**

12. INVESTMENTS MEASURED AT AMORTISED COST

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
MGS	2,492,835	2,526,230	–	–
	2,492,835	2,526,230	–	–
Less expected loss	(1,747)	(1,768)	–	–
	2,491,088	**2,524,462**	**–**	**–**

13. FINANCE LEASE RECEIVABLES

Finance lease receivables comprises receivables in respect of asset financing provided to farmers in the United Kingdom, to finance the acquisition of various agriculture-related equipment, vehicles and machinery. The financing arrangements are in the form of finance leases and hire purchase agreements. The main difference between the two types of financing is that under a finance lease, the lessee does not acquire the asset, nor does he have an option to acquire the asset. At the end of the lease, the asset is either sold to a third party (for which there is a secondary

13. FINANCE LEASE RECEIVABLES (continued)

market) or the lessee can continue the lease for a secondary period at a rent that is substantially lower than market rent. Under hire purchase financing, the lessee has the option to acquire the underlying asset for a nominal fee, at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

Under both types of financing arrangements, the net investment in the lease is based on the interest rate implicit in the lease which causes the present value of the minimum lease payments and the unguaranteed residual value to be equivalent to the fair value including initial direct costs. In the case of early settlements, the finance income is still due from the lessee, normally net of a rebate of 2% of the outstanding capital and finance income value.

	2023	2022
	EUR	EUR
Gross investment in finance lease receivable	3,785,985	5,527,917
Unearned future income on:		
Finance lease arrangements	(4,739)	(19,097)
Hire Purchase arrangements	(296,261)	(522,060)
Less expected credit loss	(307,999)	(384,668)
Net investment in finance leases	**3,176,986**	**4,602,092**

Gross investment in finance leases comprises excluding unearned future income:

	2023	2022
	EUR	EUR
Opening gross balance	4,986,759	8,955,440
New finance leases and hire purchase arrangements	704,790	90,565
Less principal repayments	(2,206,564)	(4,059,246)
Net investment in the leases gross of ECL excluding unearned future income	**3,484,985**	**4,986,759**

				GROSS 2023				
The Group	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial Lease	271,924	56,444	–	–	–	–	–	328,368
Hire Purchase	1,149,917	612,230	568,391	622,973	203,106	–	–	3,156,617
	1,421,841	**668,674**	**568,391**	**622,973**	**203,106**	**–**	**–**	**3,484,985**

Gross investment in finance leases comprises excluding unearned future income in 2022:

The Group	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial Lease	–	–	–	27,962	352,828	258,928	59,292	699,010
Hire Purchase	46,042	–	–	23,174	1,428,472	899,359	1,890,702	4,287,749
	46,042	**–**	**–**	**51,136**	**1,781,300**	**1,158,287**	**1,949,994**	**4,986,759**

The underlying assets have no unguaranteed residual values accruing to the benefit of the Group, nor has any contingent rent been included as part of income in the current period. Finance lease receivables are subject to net impairment losses as per note 8.

14. LOANS TO CUSTOMERS

The Group	2023	2022
	EUR	EUR
Term loans and advances	24,593,191	17,568,488
Less Impairment losses	(68,548)	(82,576)
Net loans and advances at amortised cost	**24,524,643**	**17,485,912**

	2023	2022
	EUR	EUR
Opening gross loan balance	17,568,488	10,780,200
New loans	9,189,188	16,106,388
Less principal repayments	(2,164,485)	(9,318,100)
Net investment in the loans gross of ECL	**24,593,191**	**17,568,488**

Loans receivables are subject to net impairment losses as per note 8.

15. FACTORED RECEIVABLES

	2023	2022
	EUR	EUR
Fee based factored receivables	42,816,899	31,958,797
Less Impairment losses	(173,900)	(93,893)
Net factored receivables and advances at amortised cost	**42,642,999**	**31,864,904**

	2023	2022
	EUR	EUR
Opening gross factored receivables balance	31,958,797	2,629,851
New factored receivables	195,358,760	125,363,055
Less principal repayments	(184,500,658)	(96,034,109)
Net investment in the factored receivables gross of ECL	**42,816,899**	**31,958,797**

Factored receivables are subject to net impairment losses as per note 8.

16. RIGHT OF USE ASSETS

The statement of financial position shows the following amounts relating to leases:

	2023	2022
	EUR	EUR
Right of Use property		
Opening balance	347,933	315,228
Acc depreciation	(326,764)	(253,897)
	21,169	**61,331**
Lease Liabilities		
Current	22,182	52,682
	22,182	**52,682**

The lease agreement for the right-of-use asset has been extended during the year and cash outflows in relation to leases during the year amounted to EUR 81,805 (2022: EUR 152,874).

	2023	2022
	EUR	EUR
Depreciation charge on right of use assets		
Depreciation for the year	73,476	110,121
	73,476	**110,121**

17. INTANGIBLE ASSETS

The Group	Trademark	Computer Software	Computer Systems	Total
Cost	EUR	EUR	EUR	EUR
At 01 July 2021	1,206	234,221	666,819	902,246
Acquisitions	–	37,159	222,221	259,380
At 01 January 2023	1,206	271,380	889,040	1,161,626
Acquisitions	850	1,969	389,122	391,941
At 31 December 2023	2,056	273,349	1,278,162	1,553,567
Accumulated depreciation				
At 01 July 2021	965	147,497	257,592	406,054
Charge for the year	181	65,104	125,245	190,530
At 01 January 2023	1,146	212,601	382,837	596,584
Charge for the year	82	45,824	132,585	178,491
At 31 December 2023	1,228	258,425	515,422	775,075
Carrying Amount				
At 01 January 2023	60	58,778	506,203	565,041
At 31 December 2023	**828**	**14,923**	**762,740**	**778,491**

17. INTANGIBLE ASSETS (continued)

The Company	Trademark	Computer Software	Computer Systems	Total
Cost	EUR	EUR	EUR	EUR
At 1 July 2021	–	100,501	582,781	683,282
Additions	–	2,999	117,517	120,516
At 01 January 2023	–	103,500	700,298	803,798
Additions	–	–	1,332	1,332
At 31 December 2023	–	103,500	701,630	805,130
Accumulated amortisation				
At 1 July 2021	–	16,058	211,867	227,925
Additions	–	50,769	101,187	151,956
At 01 January 2023	–	66,827	313,054	379,881
Additions		33,844	70,274	104,118
At 31 December 2023	–	100,671	383,328	483,999
Carrying amount				
At 01 January 2023	–	36,673	387,244	423,917
At 31 December 2023	**–**	**2,829**	**318,302**	**321,131**

18. PROPERTY, PLANT AND EQUIPMENT

The Group	Fixtures & Fittings	Furniture	IT infrastructure & equipment	Office Equipment	Total
Cost	EUR	EUR	EUR	EUR	EUR
At 01 July 2021	161,490	50,999	247,610	78,164	538,263
Additions	–	4,291	7,219	15,621	27,131
At 01 January 2023	161,490	55,290	254,829	93,785	565,394
Additions	2,238	8,053	12,388	24,608	47,287
At 31 December 2023	163,728	63,343	267,217	118,393	612,681
Accumulated depreciation					
At 01 July 2021	135,608	50,999	207,776	50,652	445,035
Charge for the year	24,224	572	36,057	19,360	80,213
At 01 January 2023	159,832	51,571	243,833	70,012	525,248
Charge for the year	1,771	1,899	8,941	11,933	24,544
At 31 December 2023	161,603	53,470	252,774	81,945	549,792
Carrying amount					
At 01 January 2023	1,658	3,719	10,996	23,773	40,146
At 31 December 2023	**2,125**	**9,873**	**14,443**	**36,448**	**62,889**

The Company does not hold any property, plant and equipment as at 31 December 2023.

19. DEFERRED TAX

Recognised deferred tax asset

Deferred tax asset is attributable to the following temporary differences:

	THE GROUP		THE COMPANY	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Tax value of gains and capital allowances carry-forwards	406,433	971,834	–	–

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit for the Group from the Bank will be available against which the losses can be utilised. At 31 December 2023 the Group had unutilised tax losses and other temporary differences which resulted in a total deferred tax asset of EUR 406,433 (2022: EUR 971,834) of which EUR 406,433 (2022: EUR 971,834) was recognised on balance sheet. The Directors will continue to monitor the position on an ongoing basis and will review their position accordingly for the upcoming financial year.

YA 2024	31 Dec 2023	31 Dec 2022
	EUR	EUR
Difference on accelerated depreciation	(35,518)	(11,519)
Unabsorbed tax losses	229,721	821,666
Provision for bad & doubtful debts	190,240	187,158
Provision for foreign exchange differences	2,569	(37,715)
Closing balance of ROU asset (IFRS 16)	(7,316)	(23,450)
Closing balance of lease liability	7,666	18,533
Assets held for realisation (sale)	19,071	17,164
Taxable temporary differences	**406,433**	**971,837**

20. INVESTMENT IN SUBSIDIARIES

The Company owns 100% of the ordinary shares in these subsidiaries.

	Incorporated in	Nature of Business	Equity Interest	Investment at cost
2023			%	EUR
Lidion Bank plc (formerly AgriBank plc)	Malta	Banking	100	14,840,466
				14,840,466
2022				
Lidion Bank plc (formerly AgriBank plc)	Malta	Banking	100	14,840,466
				14,840,466

The registered address of the subsidiary i.e. Lidion Bank plc (formerly AgriBank plc) is Level 1, SkyParks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The subsidiary prepares its financial statements to the same date, 31 December.

21. OTHER ASSETS

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Receivable from related parties	43,312	1,051,379	–	–
Other receivables	85,671	276,952	13,734	86,970
	128,983	1,328,331	13,734	86,970
Expected loss	(10,506)	(14,594)	–	–
	118,477	**1,313,737**	**13,734**	**86,970**

The balance of other receivables above includes a figure of forward contracts with a nominal value of EUR 16,049,774 (2022: EUR 9,795,395) and a fair value of EUR 13,963 (2022: EUR 194,585). Further detail can be found note 34.

22. PREPAYMENTS AND ACCRUED INCOME

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Prepayments	379,012	381,081	7,431	87,835
Accrued income on finance leases, loans and factored receivables	2,361,237	650,867	–	–
Interest in suspense	(115,186)	(85,063)	–	–
Accrued income on operating lease	–	–	101,180	94,566
	2,625,063	**946,885**	**108,611**	**182,401**

Interest in suspense refers to earned interest receivable deferred on loans and financial leases which have become non-performing and impaired.

23. AMOUNTS OWED TO CUSTOMERS

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Current accounts	66,751,975	53,843,145	–	–
Fixed term deposit accounts	48,619,888	22,657,644	–	–
Notice accounts	13,269,678	3,382	–	–
Cash in transit	623,565	116,727	–	–
Deposits placed for guarantees	6,5056,848	1,152,324	–	–
	135,771,953	**77,773,222**	**–**	**–**

24. DEBT SECURITIES IN ISSUE

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
4.875% Senior Secured Notes	1,784,000	1,784,000	1,784,000	1,784,000
5% Convertible Bonds	2,301,364	2,254,970	2,301,364	2,254,970
	4,085,364	**4,038,970**	**4,085,364**	**4,038,970**

The Senior secured Bonds (the "Bonds") with an original issue amount of EUR1,900,000 are secured by Subordinated Bonds issued by the Group and mature in December 2024. The Bonds are listed on the Malta Stock Exchange under Prospects. The other bonds represent transferable senior debt security. The bonds are redeemable at par upon maturity in October 2025, with interest payable semi-annually, annually or upon maturity. All other bonds in issue are not listed on any stock exchange and are unsecured.

The Company's 5% 5 years convertible bonds consist of bonds that can be converted to ordinary shares.

25. OTHER LIABILITIES

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Other creditors	940,508	970,783	22,773	691,602
VAT payable	103,342	89,251	37,847	28,613
Amount owed to related parties	–	–	887,359	312,314
	1,043,850	**1,060,034**	**947,979**	**1,032,529**

26. ACCRUALS

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Accrued interest	2,020,693	656,840	364,561	325,436
Other accruals	805,957	526,136	15,281	12,834
	2,826,650	**1,182,976**	**379,842**	**338,270**

27. SHARE CAPITAL

	THE GROUP		THE COMPANY	
	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022	Year from 01 Jan 2023 to 31 Dec 2023	Period from 01 Jul 2021 to 31 Dec 2022
	EUR	EUR	EUR	EUR
Authorised:				
49,999,999 ordinary shares at EUR 1.166 each	58,278,023	58,278,023	58,278,023	58,278,023
1 ordinary B shares at EUR 1.2657 each	1	1	1	1
	58,278,024	**58,278,024**	**58,278,024**	**58,278,024**
Issued and paid up:				
80,000 ordinary A shares at EUR 1.2657 each	101,256	101,256	101,256	101,256
6,972,065 A shares at EUR 1.1654 each	8,125,245	8,125,245	8,125,245	8,125,245
1 ordinary B shares at EUR 1.2657 each	1	1	1	1
	8,226,502	**8,226,502**	**8,226,502**	**8,226,502**

Holders of 'B' shares do not have voting rights nor are they entitled to dividends.

28. SHAREHOLDERS' ADVANCES

Shareholders' advances consist of EUR 4,234,004 advanced to the Company in prior period by the shareholders. Shareholder advances are repayable at the discretion of the Group subject to MFSA approval.

29. GENERAL BANKING RISK RESERVE

Retained earnings for the year ended 2022 were inclusive of €87,181 set aside for General Banking Risk under Banking Rule BR/09/2013. This amount has been reversed as at end of December 2023 given that this requirement was repealed.

30. COMMITMENTS

Commitments consist of further loan pay-outs amounting to EUR 213,559 (2022: EUR 1,622,291) under normal trading conditions.

31. CONTINGENT LIABILITIES

Contingent liabilities consist of guarantees given by the Group to corporate clients in favour of third parties which guarantees are fully cash collateralised.

32. RELATED PARTIES

32.1 Identity of related parties, parent and ultimate controlling parties

Related parties of the Bank include the ultimate parent, all entities controlled by the ultimate parent, key management personnel, close family members of key management personnel and entities which are controlled or jointly controlled by key management personnel or their close family members. The directors consider the ultimate beneficial owners Atilla Aytekin and Umut Akpinar who own 45% each indirect and beneficial interest in the Company as at the reporting date.

During the course of banking operations, the Group conducted business transactions with, its parent company and other related parties.

No expense has been recognised in the current period for bad and doubtful debts in respect of amounts due from related parties and there are no provisions for doubtful debts in respect of outstanding amounts due from related parties.

32.2 Related party transactions

Investment in subordinated debt
The Company has an investment in subordinated debt of EUR 1,684,000 (2022: EUR 1,684,000) in relation to the Bank.

Interest income (note 2)
EUR 293,310 (2022: EUR 275,347) of the Group's interest income consisted of income from secured corporate loans to related parties.

EUR 82,095 of the Company's income consist of interest on the subordinated debt to the Bank.

Interest expense (note 3)
During the year, EUR 17,400 (2022: EUR 26,100) of the Company's expense consisted of expenses related to a loan from the subsidiary company as well as EUR 201,933 (2022: 307,396) on debt securities issued to other related parties of the Company and Group

Net fee and commission income (note 4)
Included in the origination fees on finance leases and loans are EUR 207,197 (2022: EUR 316,767) of fees that were paid to related parties. As part of the Group's fee income, there is also included EUR 18,750 received from related parties.

EUR 173,565 of the Company's fee income relates to an operating lease provided to its subsidiary.

A significant portion of the fees and commissions earned by the Group are of a one-time nature including onboarding fees, payment related fees and documentary fees. These are recognised at the point in time when the transaction takes place.

Loans to customers (note 14)
A loan in the agricultural renewable energy sector amounting to EUR 1,490,751 (2022: EUR 1,460,699) was granted to a related company at normal trading conditions. For this related party loan, EUR 261,588 (2022: EUR 139,805) accrued interest was capitalised during the year As part of its loan exposure, the Group has also granted EUR 1,950,000 loans to other related party entities.

Other assets (note 21)
The Group has EUR 43,312 (2022: EUR 984,886) receivable from a related party in relation to direct debits collections from UK lending. A further EUR 67,861 (2022: EUR 66,493) were receivable from a related party being financing of administration expenses. Related parties' receivables carry no interest, no security and have no fixed date of repayment, but are expected to be realised within twelve months from the end of the reporting period.

Other liabilities (note 25)
The Company's payables include a balance of EUR 633,701 in relation to advancements made from the Company's subsidiary relating to finance expenses and a loan denominated in EUR to the Group's subsidiary company amounting to EUR 253,658 (2022: EUR 312,314).

33. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a description of the fair value measurement of financial assets and financial liabilities measured on a basis other than fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Finance lease receivables and loans to customers

As at 31 December 2023, the Bank's carrying amount of finance lease receivables and loans to customers amounted to EUR 27,955,286 (2022: EUR 22,088,004). The finance lease receivables and loans to customers are granted on the basis of a negotiated interest amount depending on the category of underlying agricultural assets being financed. Interest rates in agricultural asset financing are relatively inelastic to market rates. Finance lease receivables and loans to customers which have been granted at certain interest rates would still be granted at the same interest rates as at end of the financial year. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Factored receivables

As at 31 December 2023, the Bank's carrying amount of factored receivables amounted to EUR 42,642,999 (2022: EUR 31,864,904). Factoring consists of invoice funding to the European market mainly in the online advertising and publicity industry. Invoices purchased at a discount have a tenor of 90 days. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Investments measured at amortised cost

As at 31 December 2023, the Bank's carrying amount of investments held at amortised cost amounted to EUR 2,491,088 (2022: EUR 2,524,462). The intention is to have these investments used as high liquid assets and to be held up till maturity. These are investment in MGSs and are thus rated as investment grade with fixed rate coupons as fixed by the issuer (the Malta Government), with fixed redemption date with yield to maturity which can be arrived at with the discounted cash flow method. The fair value approximates the carrying amount and is based on public quoted prices and deemed to be a level 1 measurement.

33. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Investments measured at fair value through other comprehensive income (FVOCI)

The Bank has processed this reclassification to start using these investments for Liquidity Coverage Ratio purposes and hence hold them to collect payments of principal and interest throughout their maturity. The reasons for this are as follows:

- The Bank needs a portfolio of high quality liquid assets for LCR purposes on an ongoing basis;
- The investments in MGS have a positive yield to maturity;
- It is not the Bank's intention to acquire more sovereign investments in the short to medium term; and
- Uniformity with the classification of other investments in MGS not previously pledged for DCS purposes.

The fair value for the FX forward contract as at December 2023 is EUR:

Details	Notional amount	Fair value of forward contract as at 31 December 2023
	EUR	EUR
Forex Fwd EUR/USD	7,000,000	141,273
Forex Fwd USD/SEK	9,049,774	(127,310)

Details	Notional amount	Fair value of forward contract as at 31 December 2022
	EUR	EUR
Forex Fwd EUR/GBP	7,779,644	174,705
Forex Fwd EUR/USD	2,015,751	19,881

Other financial assets and liabilities

Other financial assets and financial liabilities comprise cash and balances with Banks, accrued income, other receivables, accrued expenses, and other liabilities. As at 31 December 2023 and 31 December 2022, the carrying amounts of these financial instruments approximated their fair values due to their short-term maturities or the fact that they carry an arm's length interest rate.

Amounts owed to customers

This category of liabilities is measured at amortised cost and amounts to EUR 129,265,105 (2022: EUR 76,620,897) in the Bank. Amounts owed to customers are at fixed rates. The rate of interest of deposits was dictated by the market interest rate for similar deposits protected by the Depositors Compensation Scheme. The carrying amounts therefore are at fair value and are based on the discounted cash flow method and deemed to be a level 2 measurement.

Corporate current account balances bearing no interest and repayable on demand amounted to EUR 66,751,975 (2022: EUR 53,910,298) whereas deposits in issue consisted of:

	2023	Average rate
	EUR	
Fixed Rate Savings Account 5 Year	6,914,412	2.27%
Fixed Rate Savings Account 3 Year	6,610,810	3.52%
Fixed Rate Savings Account 2 Year	12,703,938	3.50%
Fixed Rate Savings Account 1 Year	22,060,727	3.13%
Fixed Rate Savings Account 6 Months	330,000	3.80%
Notice accounts	13,269,678	1.97%
	61,889,565	

33. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Amounts owed to customers (continued)

	2022	Average rate
	EUR	
Fixed Rate Savings Account 5 Year – Interest on maturity	6,432,722	2.14%
Fixed Rate Savings Account 5 Year – Annual interest	304,517	2.04%
Fixed Rate Savings Account 3 Year – Annual interest	2,131,775	2.67%
Fixed Rate Savings Account 1 Year – Interest on maturity	12,274,858	1.12%
Fixed Rate Savings Account 6 Months	200,000	0.75%
Notice accounts	1,250,000	0.50%
	22,593,872	

34. RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

The Group is also exposed to non-financial risks, namely operational risk.

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing the risks.

Risk Management Framework

With the exception of credit risk, the Audit Committee has overall responsibility for the establishment and oversight of the risk management framework. It is made up of three non-executive members of the Group' board of directors. It assists the Board of Directors in identifying, measuring monitoring and controlling the Group's key risks. It also reviews the current practices employed by the overall risk management structure within the Group. The Audit Committee's responsibilities extend to supervising regulatory capital management and risk-based performance measurement. This Committee is also responsible for ensuring the Group's exposures are in line with the risk appetite approved by the Board of Directors on an annual basis.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's finance lease receivable, loans to customers, investments (2020: Held to maturity investments) and cash and cash equivalents.

Credit risk constitutes the Group's most significant risk and arises mainly from lending activities. To identify, measure and manage its credit risk arising from all these activities, the Group has adequate methodologies, policies, procedures and expertise in place. The Group has adopted a policy of only dealing with creditworthy counterparties, using lending instruments which let it keep the ownership of the underlying assets in the lending contracts until expiration of the contracts, and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. In line with the exposure the Group has at the balance sheet date, the Credit Risk Committee monitors large client exposures and any conditions for the impairment of assets and allowances.

34. RISK MANAGEMENT (continued)

Credit Risk (continued)

Exposure to credit risk

Except as stated below, the carrying amount of financial assets represents the maximum credit exposure and is shown gross, without considering any collateral or other credit enhancements, unless these credit enhancements qualify for offset in accordance with IAS 32 but net of expected credit losses.

The maximum exposure at the reporting date was primarily in relation to the following:

	THE GROUP		THE COMPANY	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Cash & cash equivalents	77,036,827	33,230,523	39,188	7,323
FL receivables	3,176,986	4,602,092	–	–
Loans to customers	24,778,301	17,175,537	–	–
Factored receivables	42,642,999	31,864,904	–	–
Investments measured at amortised cost	2,491,088	2,524,462	–	–
Subordinated Debt	–	–	1,684,000	1,684,000
	150,126,201	**89,397,518**	**1,723,188**	**1,691,323**

Loan commitments – the maximum exposure to credit risk arising on loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities is the full amount of the committed facilities.

The amount of cash and cash equivalents include EUR 174,863 (2022: EUR 174,863 pledged to the statutory Depositors' Compensation Scheme). The amount of exposure to credit risk of financial assets presented in the table above is equal to their carrying amount recognised on the balance sheet.

The exposures recognised on the statement of financial position are recognised at carrying value. From a credit risk view, cash and cash equivalents and investments are graded as 'regular' whereas finance lease receivable, loans to customers and factored receivables have different gradings as explained further in the current note.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Non-performing facilities are those credit facilities with payments on interest and/or capital overdue by 90 days or where the Bank has reasons to doubt the eventual recoverability of funds. As at 31 December 2023, the Bank had an amount of EUR 2,018,208 (2022: EUR 1,744,936) classified as non-performing facilities.

Allowances for impairment

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses, if any, that have been incurred but have not been identified. The amount for allowances for the expected credit loss was EUR 550,447 (2022: EUR 534,737).

Write-off policy

The Group writes off a loan/security balance and related allowances for impairment losses when it determines that the loan or security is uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The amount of write offs were EUR125,516 (2022: EUR nil). The contractual amount outstanding on financial assets and contract assets that were written off during the reporting period and are still subject to enforcement activity amounts to EUR 125,516.

Collateral and other credit enhancements obtained

In its asset financing lending, for hire purchase and finance leases, the Group owns the underlying assets up till the end of the financing contracts' duration. For loans, the Group actively uses collaterals in its credit risk mitigation. The Group's policy is to obtain collateral if and when required prior to the disbursement of approved loans mainly through liens on property and parcels of agricultural lands.

Estimates of fair value are based on the value of the collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not held over loans and advances to the parent company.

There were no collateral and other security enhancements held against finance lease receivables where the Group owns the underlying assets.

Collaterals consist of the following.

	THE GROUP	
	2023	2022
	EUR	EUR
Collateral		
Land and renewables	16,515,231	16,515,231
Securities	7,312,966	1,526,886
Moveable property	20,321,199	30,705,672
	44,149,396	**48,747,789**

The above overall collaterals give a widespread coverage of the gross lending portfolio of the Bank which amounts to EUR 18,395,560 (2022: EUR 22,088,004). This excludes factored receivables which are not secured but mostly insured. Collateral for Stage 3 financial assets (all consisting of loans and finance leases) amounted to EUR 1,205,788 (2022: EUR 2,141,722).

34. RISK MANAGEMENT (continued)

Concentration of risks

The Group monitors concentrations of credit risk by sector, geographic location, and industry. An analysis of concentrations of credit risk at the reporting date is shown below:

2023	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivables	Investments at amortised cost
	EUR	EUR	EUR	EUR	EUR
Carrying amount	77,036,827	3,176,986	24,778,301	42,642,999	2,491,088
Concentration by sector					
• Government	–	–	–	–	2,491,088
• Corporates	–	1,772,738	23,111,302	42,642,999	–
• Banks & PSPs	77,036,827	–	–	–	–
• Households	–	1,404,248	1,666,999	–	–
	77,036,827	3,176,986	24,778,301	42,642,999	2,491,088
• Households	–	1,404,248	1,666,999	–	–
• Arts, entertainment and recreation	–	–	2,018,086	263,330	–
• Agriculture, energy supply and renewables	–	992,877	1,618,894	336,832	–
• Financial services	76,861,964	–	7,196,838	1,363,525	–
• Government	–	–	–	–	2,491,088
• Information and communication	–	–	–	3,621,416	–
• Manufacturing	–	565,167	457,953	1,457,146	–
• Professional services	–	–	–	1,318,689	–
• Real Estate and construction	–	–	8,798,239	54,851	–
• Wholesale and retail trade	–	–	1,991,722	1,820,289	–
• Online publicity, adverts and media representation	–	–	367,679	30,922,857	–
• Other	174,863	214,694	661,891	1,484,064	–
	77,036,827	3,176,986	24,778,301	42,642,999	2,491,088
Concentration by geography					
• Malta	76,080,212	–	4,891,574	–	2,491,088
• EU	956,615	–	13,353,562	26,000,714	–
• Other European countries	–	–	149,997	2,277,470	
• UK	–	3,176,986	4,340,456	6,747,014	–
• US	–	–	–	6,286,754	–
• Other countries	–	–	2,042,712	1,331,047	–
	77,036,827	3,176,986	24,778,301	42,642,999	2,491,088

34. RISK MANAGEMENT (continued)

Concentration of risks (continued)

2022	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivables	Investments at amortised cost
	EUR	EUR	EUR	EUR	EUR
Carrying amount	33,223,200	4,602,092	17,485,912	31,864,904	2,524,462
Concentration by sector					
• Government	–	–	–	–	2,524,462
• Corporates	–	2,648,823	15,837,339	31,864,904	–
• Banks	33,223,200	–	–	–	–
• Households	–	1,953,269	1,648,573		
	33,223,200	4,602,092	17,485,912	31,864,904	2,524,462
• Households	–	1,953,269	1,648,573	–	–
• Arta, entertainment and recreation	–	–	1,979,521	127,471	–
• Agriculture, energy supply and renewables	–	1,500,655	2,882,979	–	–
• Financial services	33,223,200	–	4,905,858	272,517	–
• Government	–	–	–	–	2,524,462
• Information and communication	–	–	–	2,199,508	–
• Manufacturing	–	570,304	514,298	182,985	–
• Professional services	–	205,527	–	295,410	–
• Real Estate and construction	–	22,802	5,010,750	1,724	–
• Wholesale and retail trade	–	–	–	763,646	–
• Online publicity, adverts and media representation	–	–	–	27,791,598	–
• Other	–	349,535	543,933	230,045	–
	33,223,200	4,602,092	17,485,912	31,864,904	2,524,462
Concentration by geography					
• Malta	33,193,051	–	4,901,634	–	2,524,462
• EU	–	–	6,438,297	16,654,873	–
• Other European countries	–	–	–	1,536,888	–
• UK	30,149	4,602,092	6,145,981	3,796,360	–
• US	–	–	–	9,338,968	–
• Other countries	–	–	–	537,815	–
	33,223,200	4,602,092	17,485,912	31,864,904	2,524,462

The Group assigns limits on the level of credit risk undertaken in relation to any single counterparty or sovereign exposure in accordance with external ratings based on the three main external credit rating institutions, 'ECAIs', namely Fitch, Moody's and Standard & Poor's.

Changes in credit ratings are monitored on a daily basis and are subject to frequent review, when considered necessary. The limits on the level of credit risk are reviewed consistently and approved by the BoD at regular intervals. Actual exposures are monitored against limits on an ongoing basis. The Group enters into security transactions only with such authorised counterparties and it invests only in securities or paper with credit quality that falls within specific parameters stated in the treasury management policy.

34. RISK MANAGEMENT (continued)

Credit quality

Current year

Credit risk for the parent company is very remote therefore this is only presented on a consolidation level. The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

	12m ECL	Lifetime ECL (not credit–impaired)	Lifetime ECL (credit–impaired but not POCI)	Total
	EUR	EUR	EUR	EUR
Cash and cash equivalents				
External rating grades				
AAA - A	74,455,663	–	–	74,455,663
A - BBB-	1,276,131	–	–	1,276,131
No rating	1,315,032	–	–	1,315,032
Gross carrying amount at 31 Dec 2023	77,036,827	–	–	77,036,827
Loss allowance at 31 Dec 2023	–	–	–	–
Net carrying amount at 31 Dec 2023	77,036,827	–	–	77,036,827
Loans to customers				
Internal rating grades				
Regular	24,369,683	–	–	24,369,683
Watch list	–	–	–	–
In Default	–	–	477,166	477,166
Gross carrying amount at 31 Dec 2023	24,369,683	–	477,166	24,846,849
Loss allowance at 31 Dec 2023	(17,263)	–	(51,285)	(68,548)
Net carrying amount at 31 Dec 2023	24,352,420	–	425,881	24,778,301
Finance lease receivable				
Internal rating grades				
Regular	1,994,730	–	–	1,994,730
Watch list	–	64,399	–	64,399
In Default	–	–	1,425,856	1,425,856
Gross carrying amount at 31 Dec 2023	1,994,730	64,399	1,425,856	3,484,985
Loss allowance at 31 Dec 2023	(65,200)	(4,397)	(238,402)	(307,999)
Net carrying amount at 31 Dec 2023	1,929,530	60,002	1,187,454	3,176,986
Factoring				
Internal rating grades				
Regular	31,229,030	–	–	31,229,030
Watch list	–	11,587,869	–	11,587,869
Gross carrying amount at 31 Dec 2023	31,229,030	11,587,869	–	42,816,899
Loss allowance at 31 Dec 2023	(77,932)	(95,968)	–	(173,900)
Net carrying amount at 31 Dec 2023	31,151,098	11,491,901	–	42,642,999
Investments at amortised cost				
Internal rating grades				
Regular	2,492,835	–	–	2,492,835
Gross carrying amount at 31 Dec 2023	2,492,835	–	–	2,492,835
Loss allowance at 31 Dec 2023	(1,747)	–	–	(1,747)
Net carrying amount at 31 Dec 2023	2,491,088	–	–	2,491,088
Loan Commitments				
Internal rating grades				
Regular	213,559	–	–	213,559
Net carrying amount at 31 Dec 2023	213,559	–	–	213,559

34. RISK MANAGEMENT (continued)
Credit quality (continued)

Comparative period

The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

	12m ECL	Lifetime ECL (not credit–impaired)	Lifetime ECL (credit–impaired but not POCI)	Total
	EUR	EUR	EUR	EUR
Cash and cash equivalents				
External rating grades				
AAA - A	32,113,106	–	–	32,113,106
A - BBB-	892,374	–	–	892,374
No rating	217,720	–	–	217,720
Net carrying amount at 31 Dec 2022	33,223,200	–	–	33,223,200
Loans to customers				
Internal rating grades				
Regular	15,169,212	–	–	15,169,212
Watch list	–	2,399,276	–	2,399,276
Gross carrying amount at 31 Dec 2022	15,169,212	2,399,276	–	17,568,488
Loss allowance at 31 Dec 2022	(56,759)	(25,817)	–	(82,576)
Net carrying amount at 31 Dec 2022	15,112,453	2,373,459	–	17,485,912
Finance lease receivable				
Internal rating grades				
Regular	3,062,325	–	–	3,062,325
Watch list	–	264,575	–	264,575
In Default	–	–	1,659,859	1,659,859
Gross carrying amount at 31 Dec 2022	3,062,325	264,575	1,659,859	4,986,759
Loss allowance at 31 Dec 2022	(20,733)	(7,790)	(356,144)	(384,667)
Net carrying amount at 31 Dec 2022	3,041,592	256,785	1,303,715	4,602,092
Factoring				
Internal rating grades				
Regular	29,500,829	–	–	29,500,829
Watch list	–	2,457,967	–	2,457,967
Gross carrying amount at 31 Dec 2022	29,500,829	2,457,967	–	31,958,796
Loss allowance at 31 Dec 2022	(74,250)	(19,642)	–	(93,892)
Net carrying amount at 31 Dec 2022	29,426,579	2,438,325	–	31,864,904
Investments at amortised cost				
Internal rating grades				
Regular	2,526,230	–	–	2,526,230
Gross carrying amount at 31 Dec 2022	2,526,230	–	–	2,526,230
Loss allowance at 31 Dec 2022	(1,768)	–	–	(1,768)
Net carrying amount at 31 Dec 2022	2,524,462	–	–	2,524,462
Loan Commitments				
Internal rating grades				
Regular	1,622,291	–	–	1,622,291
Gross carrying amount at 31 Dec 2022	1,622,291	–	–	1,622,291
Loss allowance at 31 Dec 2022	–	–	–	–
Net carrying amount at 31 Dec 2022	1,622,291	–	–	1,622,291

Liquidity risk

Liquidity risk for the parent company is very remote therefore this is only presented on a consolidation level. The Bank defines liquidity risk as the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they fall due.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	2022	Cash		Non-cash changes			2023
		Recognition of lease liabilities upon first-time adoption of IFRS 16 (note 4)	Outflows	Other changes	Foreign exchange movements	Other changes	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Lease liabilities	52,682	–	(30,500)	–	–	–	22,182
	52,682	**–**	**(30,500)**	**–**	**–**	**–**	**22,182**

	2021	Cash		Non-cash changes			2022
		Recognition of lease liabilities upon first-time adoption of IFRS 16 (note 4)	Outflows	Other changes	Foreign exchange movements	Other changes	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Debt securities in issue (note 24)	58,175	–	(58,175)	–	–	–	–
Lease liabilities	89,533	–	(117,672)	81,090	–	–	52,951
	147,708	**–**	**(175,847)**	**81,090**	**–**	**–**	**52,951**

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity position daily. The Group maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, to ensure that sufficient liquidity is maintained with the Bank as a whole.

All liquidity policies and procedures are subject to review and approval by the Board of Directors "BoD", which is subject to a liquidity limit imposed by the regulator. The Chief Financial Officer is responsible for the daily monitoring of liquidity procedures and ratios.

Liquidity gaps showing size and maturity mismatches of assets and liabilities together with liquidity stress testing are also being established.

The table on the next page analyses the Group's main financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The analysis includes both interest and principal cash flows.

34. RISK MANAGEMENT (continued)

Management of liquidity risk (continued)

	2023						
	Carrying amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Amounts owed to customers	102,337,925	103,783,283	68,585,386	14,328,787	9,733,248	22,724,442	115,371,863
Leased liabilities	22,182	22,182	22,182	–	–	–	22,182
Senior Secured Bonds	4,149,252	4,553,757	–	–	1,784,000	2,365,252	4,149,252
	106,509,359	**108,359,222**	**68,607,568**	**14,328,787**	**11,517,248**	**25,089,694**	**119,543,297**

	2022						
	Carrying amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Amounts owed to customers	73,605,789	73,705,789	53,995,609	88,693	9,970,098	7,885,952	71,940,352
Leased liabilities	53,957	54,911	19,708	19,708	14,541	–	53,957
Senior Secured Bonds	4,038,969	4,038,969	–	–	–	4,038,969	4,038,969
	77,698,715	**77,799,669**	**54,015,317**	**108,401**	**9,984,639**	**11,924,921**	**76,033,278**

Assets available to meet these liabilities include cash at bank, loan receivable and finance lease receivables.

Residual contractual maturities of financial assets and financial liabilities

The table below analyses the principal assets and liabilities with contractual maturities that are recognised in the statements of financial position into relevant maturity groupings, based on the remaining period at balance sheet date to their contractual maturity date.

	less than 3 months	Between 3 months and 1 year	Between 1 and 10 years	Total
	EUR	EUR	EUR	EUR
Assets				
Finance lease receivable	1,113,842	668,674	1,394,470	3,176,986
Loans to customers	1,058,752	4,067,799	19,398,092	24,524,643
Loan to subsidiary	146,845	51,937	54,876	253,658
Factored receivables	42,642,999	–	–	42,642,999
Cash and cash equivalents	77,036,827	–	–	77,036,827
	121,999,265	**4,788,410**	**20,847,438**	**147,635,113**
Liabilities				
Amounts owed to customers	82,914,173	9,733,248	22,724,442	115,371,863
Leased liabilities	22,182	–	–	22,182
Subordinated liabilities	–	1,784,000	2,301,364	4,085,364
	82,936,355	**11,517,248**	**25,025,806**	**119,479,409**

34. RISK MANAGEMENT (continued)

Management of liquidity risk (continued)

Banking Rule 07 transposing the provision of the EBA Guidelines on Disclosures of Encumbered, and Unencumbered Assets (EBA/GL/2014/03) requires disclosure on asset encumbrance. The Bank is in compliance with the contents thereof.

This disclosure provides details of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is considered as encumbered when it has been pledged as collateral against an existing liability, and as a result is no longer available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

Asset Encumbrance	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	EUR	EUR	EUR	EUR
As at 31 December 2023				
Investments	–	–	2,491,088	2,491,088
Finance lease receivable	–	–	3,228,271	3,228,271
Loans to customers	–	–	24,727,312	24,727,312
Factoring	–	–	42,642,999	42,642,999
Cash and cash equivalents	174,863	174,863	76,687,101	76,687,101
	174,863	**174,863**	**149,776,771**	**149,776,771**
As at 31 December 2022				
Investments	–	–	2,524,462	2,039,304
Finance lease receivable	–	–	4,986,759	4,602,092
Loans to customers	–	–	17,485,912	17,485,912
Factoring	–	–	31,958,797	31,864,904
Cash and cash equivalents	174,863	174,863	33,048,337	33,048,337
	174,863	**174,863**	**90,004,267**	**89,040,549**

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At balance sheet date, the Bank assets and labilities were all denominated in Euro, USD, GBP, SEK, NOK, PLN, AUD and DKK. The Bank's currency open positions are all less than EUR 50k individually and a total of EUR 75,754 (2022: EUR 1,051,740).

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that these are carried at fair value. However, interest rate risk is deemed to be non-material as contracted lending, deposit taking and all financial instruments have fixed interest rates. None of the borrowings and debt instruments are carried at fair value.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Bank's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk identified;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Capital allocation for operational risk is based upon the basic indicator approach which takes 15% of the average gross interest and non-interest income of the Bank for the last three years. The operational risk capital allocation for the Bank was EUR 591,747 (2022: EUR 216,723).

34. RISK MANAGEMENT (continued)

Capital risk management

The Group's capital management approach ensures a sufficient level of capitalisation to manage the risk exposures at hand while enabling business growth and providing adequate returns to the shareholders. Risk capital management does not in any way substitute risk mitigation measures. It is vital that the structure of limits and thresholds should be able to prevent concentrations of risk from building up in such a way as to compromise a significant portion of the Group's capital resources.

Capital management is under the direct control of the BoD. At reporting date, the Bank's funding was based on own funds

(both Tier 1 and Tier 2 capital).

The following table shows the components and basis of calculation of the Group's Capital Adequacy ratios.

	2023	2022
	EUR	EUR
Own funds		
Tier 1		
• Ordinary shares	8,616,433	8,616,433
• Shareholders' advances	6,458,036	6,458,036
• Accumulated losses	(923,245)	(2,060,455)
• Other reserves	(433,348)	(346,167)
• Intangible assets	(457,361)	(141,125)
• Deferred tax asset	(406,433)	(971,834)
Total Tier 1	12,854,082	11,554,888
Tier 2		
Subordinated liabilities	336,800	674,523
Total Tier 2 Capital	336,800	674,523
Total own funds	13,190,882	12,229,411

34. RISK MANAGEMENT (continued)

Capital risk management (Continued)

	Face value 2023	Risk weighted assets 2023	Face value 2022	Risk weighted assets 2022
	EUR	EUR	EUR	EUR
• Cash and cash equivalents	77,036,827	1,576,020	33,230,523	228,106
• Investments	2,491,088	–	2,524,462	–
• Finance lease receivable	3,176,986	3,095,796	4,602,092	3,642,156
• Loans to customers	24,778,301	15,355,717	17,485,912	13,826,079
• Factored receivables	42,642,999	38,629,826	31,864,904	28,956,184
• Deferred tax asset	406,433	–	971,834	–
• Other assets	4,139,825	4,208,413	1,295,364	3,095,943
• Off balance sheet	213,559	106,780	1,622,291	811,146
Credit risk	154,886,018	62,972,552	93,597,382	50,559,614
Foreign exchange risk		–		1,051,740
Operational risk		7,396,838		2,709,032
Total Risk Weighted Assets		70,369,390		54,320,386
Capital Adequacy Ratio				
Tier 1 Total Capital Ratio		18.3%		21.3%
Total Capital Ratio		18.8%		22.5%

35. REGISTRATION DETAILS

During the current financial year, the Company has changed its legal entity name from AgriHoldings plc to Lidion Holdings plc. This change took place on 29th November 2023. The registered and principal office of the Company (C57008) is Level 1, SkyParks Business Centre, Malta International Airport, Luqa LQA 4000, Malta. The company is a public limited company incorporated in Malta.

36. ASSETS HELD FOR REALISATION

The assets held for realisation mainly comprise movable properties that were held as collateral for outstanding financial lease receivables, which properties were taken into the possession of the Bank following defaults by the counterparty. The Bank's policy is to dispose of such assets within a reasonable timeframe, which is generally not more than twelve months from the date of possession, unless events or circumstances which are beyond the Bank's control extend the period to complete the sale.

Such assets meet the criteria for classification as non-current assets held for sale in accordance with IFRS 5. These properties are classified within Level 3 and are treated like property and equipment and assessed regularly for their value to approximate their realisation value. The valuation assessment takes into consideration the market price for each separate asset held for realisation after deducting any brokerage, transportation, and marketing costs to sell it. Prices are obtained through specialised brokers in the UK but also through online existent secondary markets for machinery. During the current period, there was a reduction in the carrying value of assets held for realisation resulting at a balance of EUR 297,099 (2022: EUR 456,519).

37. POST BALANCE SHEET EVENTS

As at the end of the financial year ended 31st December 2023, the Company had received certain amounts from its majority shareholders, namely:

An aggregate of £2,000,000 (€2,246,938.56), namely £1,000,000 from each of Armoza Beheer B.V. and Monde Céleste B.V., as consideration for notes issued by the Company in October 2020.

An aggregate of €4,000,000, namely €2,000,000 from each of Armoza Beheer B.V. and Monde Céleste B.V., as capital contributions to the Company.

Following the financial year end, the parties concluded discussions to convert the notes and capital contributions into ordinary shares in the capital of the Company. The shareholders, including the minority shareholder, also agreed that a portion of the shares being allotted are subscribed by Westmoreland Investments Limited to retain its proportion of shareholding prior to the allotment. This has resulted in an increase in the issued share capital of the Company by an aggregate of 5,360,338 ordinary A shares as follows:

An aggregate of 2,412,152 ordinary A shares in favour of Armoza Beheer B.V.;

An aggregate of 2,412,152 ordinary A shares in favour of Monde Céleste B.V.;

An aggregate of 536,034 ordinary A shares in favour of Westmoreland Investments Limited.

The allotment of the shares took effect on the 19th March 2024.

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Exemption number: EXO2155

Independent auditor's report

to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lidion Holdings plc (formerly known as AgriHoldings plc) hereafter referred as the "Company" and the consolidated financial statements of the Company and its subsidiary, Lidion Bank plc (formerly known as AgriBank plc) hereafter referred as the "Bank", together, the "Group", set out on pages 10 to 57, which comprise the statements of financial position of the Company and the Group as at 31 December 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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' International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive (Maltese Code) that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Maltese Accountancy Profession Act (Cap. 281).

Independent auditor's report (continued)

to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matter described below pertains to the audit the consolidated financial statements. This matter was 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 this matter.

We have determined that there are no key audit matters to communicate in our report with respect to the individual financial statements.

Impairment of loans and advances to customers
As at 31 December 2023 the Group reported total gross loans, including finance lease receivables, of EUR28,632,834 and expected credit loss (ECL) provisions of EUR376,547. The determination of the Group's ECL on its loans and advances to customers is subject to a high degree of estimation uncertainty and management judgement. Assumptions in respect of the timing, measurement and disclosure of ECL include:

- **Staging** - Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of macroeconomic uncertainties on customer behaviours and further support measures that were granted following the identification of underlying significant deterioration in credit risk;
- **Model estimations** - Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL;
- **Economic scenarios** – Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios;
- **Post model adjustments** – Assumptions used to estimate the possible negative impact of macroeconomic uncertainties and increased inflationary pressure on certain customers and/or sectors and any resulting model adjustments;
- **Individual provisions** - Measurement of individual provisions including the assessment of multiple scenarios on exit strategies, collateral valuations and time to collect; and
- **Disclosure** - The completeness and preparation of disclosures considering the key judgments, sources of data and the design of the disclosures.

Our audit response to address the risk of material misstatement arising from the ECL provisioning comprised the following:

Evaluation of controls:

We evaluated the design and implementation of the key controls across the processes relevant to the ECL calculation. These processes included model governance, the allocation of assets into stages, data accuracy and completeness, preparation of multiple economic scenarios, post model adjustments, individual provisions and disclosures.

Independent auditor's report (continued)
to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Impairment of loans and advances to customers (continued)

Staging:

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We considered trends in the economy and industries to which the Group is exposed. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.

Model estimations:
We tested the data used in the ECL calculation by reconciling to source systems in order to gain reasonable assurance over the data quality. Assumptions and inputs used in ECL models were tested substantively, including assessing the appropriateness of model design. Formulas used were recalculated for mathematical accuracy.

Economic Scenarios:

We reviewed and challenged the inputs, assumptions and adjustments to the ECL calculation, with particular reference to the macroeconomic data used in the model.

Post model adjustments:
We assessed the appropriateness of post model adjustments.

Individual Provision:

For a sample of individually impaired loans we evaluated the specific circumstances of the customer, including latest available information, the basis for measuring the impairment provision, and whether key judgements were appropriate. We re-performed management's impairment calculations, which were largely based on the expected recovery from collateral held. We tested the valuation of collateral challenging subjective estimates by referring to actual historical recovery data.

Disclosure:
We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and regulatory considerations.

The Group's disclosures about impairment are included in Notes 1, 8, 12, 13, 14, 15 and 34, which include the directors' assessment of the adequacy of the impairment provisions.

Other Information
The directors are responsible for the other information. The other information comprises the Directors' Report, corporate governance statement of compliance, cautionary statement regarding forward looking statements and share register information page but does not include the financial statements and our auditor's report thereon.

However, the other information does not include the individual and consolidated financial statements and our auditor's report.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386) and on the corporate governance statement of compliance in accordance with the Prospects Multi Trading Facility

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Independent auditor’s report (continued)

to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Other Information (continued)
Company (“MTF”) Rules issued by the Malta Stock Exchange, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors’ Report, we also considered whether the Directors’ Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386), and the statement required by Rule 5.62 of the Capital Markets Rules on the Company’s and the Group’s ability to continue as a going concern.

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the directors’ report in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Directors’ Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors’ Report.

Responsibilities of the Directors and the Audit Committee for the Financial Statements
As explained more fully in the Statement of Directors’ responsibilities, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Companies Act (Cap. 386), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements
This report, including the opinions set out herein, has been prepared for the Company’s members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

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 opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). 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 the61ggregatee, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditor's report (continued)
to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
In terms of article 179A(4) of the Companies Act (Cap. 386), the scope of our audit does not include assurance on the future viability of the Company and the Group or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company and the Group. The financial position of the Company and/or the Group may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Company's and the Group's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions,
with respect to the future financial health and viability of the Company and/or the Group, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Company and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and/or the Group and to identify any facts or circumstances that may be materially relevant thereto.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 and the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Company's and/or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's and/or the Group'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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report (continued)

to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the Companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated 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 Corporate Governance Statement of Compliance
In order for a Prospects MTF Company to remain admitted to the exchange, the Prospects Rules issued by the Malta Stock Exchange require that the company shall comply with, provide equivalent disclosure, or explain the extent to which it adheres to, the relevant corporate governance standards, in this case Appendix 5.1 to Chapter 5 of the Capital Markets Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Rule 5.97 of the Capital Markets Rules.

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's Annual Financial Report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Rule 5.97 of the Capital Markets Rules.

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Independent auditor's report (continued)

to the members of
Lidion Holdings plc (formerly known as AgriHoldings plc)

Report on Other Legal and Regulatory Requirements (continued)

Report on Corporate Governance Statement of Compliance (continued)

We are not required to, and we do not, consider whether the directors' statements on internal control 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 Corporate Governance Statement of Compliance has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

Matters on which we are required to report by exception under the Companies Act
Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper 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; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Auditor tenure
We were first appointed to act as statutory auditor of the Company and the Group, following the Company's debt listing in financial year ended 30 June 2018, by the members of the Company on 27 September 2018 for the financial year ended 30 June 2019, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity including previous reappointments of the firm is 5 financial years.

Consistency of the audit report with the additional report to the Audit Committee
Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of Article 11 of the EU Audit Regulation No. 537/2014.

The audit was drawn up on 23 April 2024 and signed by:

Michael Bianchi as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute "forward-looking statements", including but not limited to statements relating to the anticipated effect of transactions described herein, risks arising from the current market crisis and other risks specific to Group's business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent The Group's judgments and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from The Group's expectations.

These factors include, but are not limited to:

(1) the extent and nature of future developments in the market segments that have been or may be affected by the current market crisis and their effect on The Group's assets and exposures;

(2) developments affecting the availability of capital and funding to The Group and other credit institutions, including any changes in The Group's credit spreads and ratings;

(3) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates;

(4) changes in internal risk control and limitations in the effectiveness of The Group's internal processes for risk management, risk control, measurement and modelling, and of financial models generally;

(5) the degree to which The Group is successful in implementing its business and development plans, and whether those plans will have the effects anticipated;

(6) changes in the financial position or creditworthiness of The Group's clients, obligors and counterparties, and developments in the markets in which they operate, including possible failures resulting from the current market crisis and adverse economic environment;

(7) management changes and changes to the internal or overall structure of The Group;

(8) the occurrence of operational failures, such as fraud, unauthorised trading and systems failures;

(9) legislative, governmental and regulatory developments, including the effect of more stringent capital requirements and of regulatory constraints on The Group's activities;

(10) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other assets or other matters;

(11) changes in and the effect of competitive pressures, including the possible loss of key employees as a result of compensation issues or for other reasons;

(12) jurisdictional changes;

(13) technological developments; and

(14) the impact of all such future developments on positions held by The Group, on its short-term and longer-term earnings, on the cost and availability of funding and on The Group's capital ratios. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports. The Group is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding EUR amounts presented throughout this report may not add up precisely to the totals provided in the tables. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded.

SHARE REGISTER INFORMATION

Directors' direct or indirect interest in the share capital of the Company as at 31 December 2023 and 31 December 2022:

As at 31 December 2023 and 31 December 2022, the Company's issued share capital was held by 3 shareholders. The share capital of the Group and the Company consists of two classes of ordinary "A" shares with equal voting rights and one class of ordinary "B" shares with no voting rights and no entitlement to dividends.

Shareholders holding 5% or more of the equity capital consist of:

	31 December 2023		31 December 2022	
Shareholder	Number of shares held	% of shares	Number of shares held	% of shares
Armoza Beheer B.V.	3,173,430	45.00	3,173,430	45.00
Monde Celeste B.V.	3,173,429	44.99	3,173,429	44.99
Westmoreland Investments LTD	705,207	10.01	705,207	10.01

There were no further changes in shareholders' holding of 5% or more of the equity share capital until 26th April 2023 the date these financial statements were approved.

Save for what is stated herein and as may be expressly provided in Lidion Bank P.L.C's (formerly AgriBank plc) Memorandum and Articles of Association or by the respective terms of issue, all ordinary shares in the Company (whatever their class and nominal value) rank pari passu for all intents and purposes of law. The holder of the Ordinary B share is not entitled to vote in respect of its share nor to receive any dividends distributed. On the return of asset on a liquidation or otherwise, the holder of the Ordinary B share is only entitled to a repayment of the nominal amount paid up on such Ordinary B share to the extent that there are sufficient assets of the Company available for distribution and remaining after payment of the Company's debts and liabilities and after payment of the nominal amount paid up on Ordinary A shares of the Company. The holder of the Ordinary B share shall not be entitled to any bonus shares upon the capitalisation of any share premium or other reserve by the Company.

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DF Advocates
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LIDION HOLDINGS PLC

Unaudited Forecast Financial Information for the financial year ending 31st December 2024

Consolidated income statement for the period ending 31 December 2024

EUR 000	FY 2024 Forecast	FY 2023 Actual	FY 2023 Forecast	Variance
Interest income	12,039	8,071	3,189	4,882
Interest expense	(4,886)	(2,212)	(1,291)	(921)
Net interest income	7,153	5,859	1,898	3,961
Fee and commission income	1,764	1,859	7,489	(5,630)
Fee and commission expense	(804)	(652)	(834)	182
Net fee and commission income	960	1,207	6,655	(5,448)
Other operating income	-	-	-	-
Net operating income	**8,113**	**7,066**	**8,553**	**(1,487)**
				-
Personnel expenses	(3,359)	(2,625)	(3,056)	431
Administrative and other expenses	(3,283)	(2,491)	(3,077)	586
Depreciation and amortisation	(406)	(277)	(184)	(93)
Net impairment losses	(303)	(279)	(188)	(91)
Total expense	**(7,351)**	**(5,672)**	**(6,505)**	**833**
				-
Profit before tax	**763**	**1,394**	**2,048**	**(654)**

Consolidated statement of financial position as at 31 December 2024

EUR 000	FY 2024 Forecast	FY 2023 Actual	FY 2023 Forecast	Variance
Assets				
Balances with Central Bank of Malta and cash and cash equivalents	86,202	77,076	40,402	36,674
Held to maturity investments	2,500	2,491	2,500	(9)
Available-for-sale investments	-	-	-	-
Finance lease receivables	4,107	3,177	5,941	(2,764)
Loans and receivables	25,720	24,525	44,059	(19,534)
Factored Receivables	89,000	42,643	75,000	(32,357)
Right - of - use assets	300	21	61	(40)
Intangible assets	1,080	778	849	(71)
Property, plant and equipment	400	63	98	(35)
Deferred tax	80	406	-	406
Assets held for realisation	1,669	297	457	(160)
Other assets		118	-	118
Prepayments and accrued income	2,625	2,625	71	2,554
Total assets	**213,683**	**154,221**	**169,438**	**(15,217)**
Liabilities				**-**
Amounts owed to banks	-	-	-	-
Amounts owed to customers	188,000	135,772	140,250	(4,478)
Debt securities in issue	0	-	-	-
Other liabilities	1,044	1,044	220	824
Accruals	2,116	2,827	1,183	1,644
Lease Liabilities	251	22	53	(31)
Current tax	-	-	-	-
Subordinated debt	4,000	4,085	4,039	46
Total liabilities	**195,411**	**143,750**	**145,745**	**(1,995)**
Equity				**-**
Share capital and contribution	19,078	12,461	24,458	(11,997)
Reserves	(340)	(564)	(409)	(155)
Accumulated losses	(466)	(1,425)	(356)	(1,069)
Total equity	**18,272**	**10,471**	**23,693**	**(13,222)**
Total liabilities and equity	**213,683**	**154,221**	**169,438**	**(15,217)**

Consolidated statement of cash flows for the year ending 31 December 2024

EUR000	FY 2024 Forecast	FY 2023 Actual	FY 2023 Forecast	Variance
Cash flows from operating activities				
Interest and commission received	13,803	8,656	10,678	(2,022)
Interest and commission paid	(5,690)	(1,690)	(2,125)	435
Cash payments to employees and suppliers	(5,931)	(5,011)	(6,133)	1,122
Cash flows used in operating activities before changes in operating assets and liabilities	**2,182**	**1,955**	**2,420**	**(465)**
				-
Movement in finance lease, loans receivable and factored receivables	(50,534)	(18,297)	(70,287)	51,990
Movements in amounts owed to banks and to customers	52,143	60,509	63,629	(3,120)
Net cash generated from/(used in) operating activities	**3,792**	**44,167**	**(4,238)**	**48,405**
				-
Cash flows from investing activities				-
Purchase of property plant and equipment	(743)	(47)	(58)	11
(Purchase) / writeoff of intangible assets	(302)	(392)	(708)	316
Movement in investment assets an assets held for sale	(9)	193	-	193
Net cash used in investing activities	**(1,054)**	**(246)**	**(766)**	**520**
				-
Cash flows from financing activities				-
Proceeds from shareholders' advances	6,617	-	12,000	(12,000)
Amount (paid)/received from parent company	-	-	-	-
Lease payments for the principal portion of lease liability	(229)	(75)	-	(75)
Payment of dividends	-	-	-	-
Depositor Compensation	-	-	-	-
Net cash (used in)/generated from financing activities	**6,388**	**(75)**	**12,000**	**(12,075)**
Net increase/(decrease) in cash and cash equivalents	**9,126**	**43,845**	**6,996**	**36,849**
Cash and cash equivalents at the beginning of the year	77,076	33,231	33,231	(0)
Cash and cash equivalents at the end of the year (Excl DCS)	**86,202**	**77,076**	**40,227**	**36,849**

Ratios as at 31 December 2024

EUR 000	FY 2024 Forecast	FY 2023 Actual	FY 2023 Forecast	Variance
Total own funds	20,900	13,191	22,341	9,150
Total capital ratio	18%	19%	19%	0%
LCR	955%	845%	177%	-668%