



## L-ERBATAX-IL LEGIŻLATURA

P.L. 3457

Dokument imqiegħed fuq il-Mejda tal-Kamra tad-Deputati fis-Seduta Numru 227 tat-8 ta' April 2024 mill-Ministru għall-Ġustizzja u r-Riforma tas-Settur tal-Kostruzzjoni, f'isem il-Ministru għall-Ambjent, l-Energija u r-Riġenerazzjoni tal-Port il-Kbir.

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Eleanor Scerri  
Skrivan tal-Kamra

## **ENEMED - AUDITED ACCOUNTS**

**\*17761. L-ONOR RYAN CALLUS** staqsa lill-Ministru għall-Ambjent, l-Energija u r-Riġenerazzjoni tal-Port il-Kbir: Tista' l-Ministru tqiegħed fuq il-Mejda tal-Kamra l-audited accounts tal-Enemed għas-snin 2020, 2021 u 2022?

26/03/2024

**ONOR. MIRIAM DALLI:** Ninforma lill-Onor. Interpellant li qed inpoġġi d-dokumenti mitluba fuq il-Mejda tal-Kamra.

Seduta Numru 227

08/04/2024

Company Registration No. C 66404

**ENEMED CO. LTD.**

**Annual Report and Financial Statements**

**31 December 2020**

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## **GENERAL INFORMATION**

### **Registration**

Enemed Co. Ltd. is registered in Malta as a limited liability Company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 66404. The Company was incorporated on 19 August 2014.

### **Directors**

Mr. Kevin Chircop (Chairman)  
Mr. Francis Cassar  
Mr. Emanuel Ellul (terminated on 8 June 2020)  
Ms. Nikita Zammit Alamango  
Ms. Alison Zerafa Civelli  
Mr. Emanuel Vassallo (terminated on 8 June 2020)  
Ms. Sarah Camilleri  
Ms. Stephanie Pace Hili (appointed on 8 June 2020)  
Mr. Andrew Luke Vella (appointed on 8 June 2020)

### **Company secretary**

Dr. Andrew Sciberras (terminated on 6 October 2020)  
Dr. Charmaine Cherrett (appointed on 6 October 2020)

### **Registered office**

31 March 1979 Installation  
Sacred Heart Promenade  
Birżebbuġia BBG 1604  
Malta

### **Auditor**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
Malta

**ENEMED CO. LTD.**  
**Directors' report**  
**For the year ended 31 December 2020**

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The directors present their report and the audited financial statements for the year ended 31 December 2020.

**Principal activities**

The principal activity of the Company is the distribution of Petroleum products and the renting of fuel storage facilities to third parties.

**Performance review and future developments**

In October 2014, the Company purchased the petroleum business from Petromal Company Limited (refer to Note 23).

The statement of profit or loss of the Company is set out on page 11. During the year under review, the Company reported revenue of EUR242.9 million (EUR350 million). During the same year, the Company has generated a loss before tax of EUR 14.8 million (2019: profit before tax of EUR7.0 million).

The negative financial results sustained during the year ended 31 December 2020 were majorly related to the COVID-19 global pandemic. As a result of the COVID-19 pandemic, the Company faced significant challenges, experiencing reduction in sales volumes, both in relation to the distribution of fuel in the local market as well as in the aviation sector. The demand in the local market and the aviation sector drastically decreased in view of measures introduced by the Government to contain the pandemic and various international airports that closed their borders. With the easing of the measures implemented by the Government in July 2020, the Company has gradually experienced a recovery in its performance and the volumes sold. However, the COVID-19 pandemic has inevitably had a significant impact on the financial performance and the financial position of the Company.

During the year, the Company has registered a loss before tax of EUR14.8 million (2019: profit before tax of EUR7.0 million), with revenue falling by 30.6% from EUR349.9 million in 2019 to EUR242.9 million in 2020. The Company has engaged with its customers, suppliers, and lenders to enable it to effectively manage the restraints experienced on its liquidity position. The Company also experienced a delay in the collection of its receivables which required the Company to secure a new loan of EUR8 million under the COVID-19 guarantee scheme and a 6-month moratorium on its all loans and interest repayments.

During 2021 the Company has experienced a significant increase in demand when compared to 2020. Based on the positive results generated up to August 2021, the forecasted cash flows as well as the available bank facilities, it is believed that the Company will have adequate resources to meet its obligations as they fall due.

The Company has continued with the upgrade of the facilities in Has-Saptan in line with its plans established before the onset of the pandemic. In fact, the Has-Saptan installation has become operational in July 2021. The Company has therefore started dispatching fuel to the local market from Has-Saptan in July 2021. The B'Bugia installation will be kept on cold standby until the end of 2021 to ensure the smooth transitioning from installation to the other. After this date, the B'Bugia installation will be closed. The financing of the Has-Saptan installation was financed through a bank loan and also through a significant investment of the Company's own funds.

**ENEMED CO. LTD.**  
**Directors' report**  
**For the year ended 31 December 2020**

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**Dividends**

During the year, the Company declared a dividend amounting to EUR1.20 million (2019: EUR1.56 million) to its shareholders. No further dividends are recommended.

**Directors**

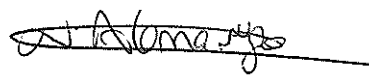
The directors who served until the date of authorization of these financial statements were as listed on page 2. In accordance with the Company's Memorandum and Articles of Association, the present directors are to remain in office.

**Risk management**

The Company's risk management policies are disclosed in Note 3 of the financial statements.

Approved by the Board of Directors and signed on its behalf on 4 October 2021 by:

  
**MR. K. CHIRCOP**  
Executive Chairman

  
**MS. N. ZAMMIT ALAMANGO**  
Director

**ENEMED CO. LTD.**  
**Directors' responsibilities**  
**For the year ended 31 December 2020**

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The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- Account for income and charges relating to the accounting period on the accruals basis;
- Value separately the components of asset and liability items; and
- Report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Enemed Co. Ltd.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Enemed Co. Ltd. the "Company"), set on pages 9 to 48, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

#### **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 Code of Ethics for Professional Accountants (including International Independence Standards)* as issued by the *International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

We draw attention to note 4.1 to the financial statements, which describes the impact of COVID-19 on the financial performance and financial position of the Company. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Enemed Co. Ltd.- continued

### Report on the audit of the financial statements - continued

#### Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Enemed Co. Ltd. - continued

### Report on other legal and regulatory requirements

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

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

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

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- we have not received all the information and explanations we require for our audit.

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



*The partner in charge of the audit resulting in this independent auditor's report is  
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

4 October 2021

**ENEMED CO. LTD.****Financial Statements for the year ended 31 December 2020****STATEMENT OF FINANCIAL POSITION****As at 31 December 2020**

|                                  | Notes | 2020<br>EUR'000 | 2019<br>EUR'000 |
|----------------------------------|-------|-----------------|-----------------|
| <b>ASSETS</b>                    |       |                 |                 |
| <b>Non-current assets</b>        |       |                 |                 |
| Property, plant and equipment    | 5     | 107,314         | 85,714          |
| Right of use assets              | 5.1   | 10,574          | 10,939          |
| Deferred tax asset               | 13    | 4,608           | -               |
| Goodwill                         | 6     | 34,500          | 34,500          |
| Total non-current assets         |       | 156,996         | 131,153         |
| <b>Current assets</b>            |       |                 |                 |
| Inventories                      | 8     | 34,075          | 26,761          |
| Trade and other receivables      | 9     | 40,974          | 49,557          |
| Derivative financial instruments | 7     | 9,686           | 6,044           |
| Tax receivable                   |       | 1,972           | 3,976           |
| Cash and cash equivalents        | 10    | 513             | 1,989           |
| Total current assets             |       | 87,220          | 88,327          |
| <b>Total assets</b>              |       | <b>244,216</b>  | <b>219,480</b>  |



**ENEMED CO. LTD.****Financial Statements for the year ended 31 December 2020****STATEMENT OF FINANCIAL POSITION - continued**  
**As at 31 December 2020**

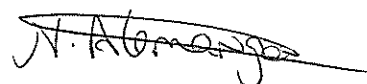
|                                     | Notes | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-------------------------------------|-------|-----------------|-----------------|
| <b>EQUITY AND LIABILITIES</b>       |       |                 |                 |
| <b>Equity</b>                       |       |                 |                 |
| Issued capital                      | 11    | 62,250          | 62,250          |
| Retained earnings                   |       | 7,584           | 18,500          |
|                                     |       | <b>69,834</b>   | <b>80,750</b>   |
| Hedging reserve                     | 12    | 1,649           | 3,794           |
|                                     |       | <b>71,483</b>   | <b>84,544</b>   |
| <b>Non-current liabilities</b>      |       |                 |                 |
| Bank borrowings                     | 15    | 46,932          | 32,595          |
| Lease liabilities                   | 15.1  | 10,961          | 10,939          |
| Deferred tax liability              | 13    | -               | 1,914           |
| Total non-current liabilities       |       | <b>57,893</b>   | <b>45,448</b>   |
| <b>Current liabilities</b>          |       |                 |                 |
| Trade and other payables            | 14    | 75,254          | 64,191          |
| Bank borrowings                     | 15    | 4,589           | 3,198           |
| Derivative financial instruments    | 7     | 7,293           | -               |
| Bank overdraft                      | 10    | 27,704          | 22,099          |
| Total current liabilities           |       | <b>114,840</b>  | <b>89,488</b>   |
| Total liabilities                   |       | <b>172,733</b>  | <b>123,997</b>  |
| <b>Total equity and liabilities</b> |       | <b>244,216</b>  | <b>219,480</b>  |

*The accounting policies and explanatory notes on pages 15 to 48 form an integral part of the financial statements.*

*The financial statements on pages 9 to 48 were authorised for issue by the Board of Directors on 4 October 2021 and were signed on its behalf by:*



**MR. K. CHIRCOP**  
Executive Chairman



**MS. N. ZAMMIT ALAMANGO**  
Director

**ENEMED CO. LTD.****Financial Statements for the year ended 31 December 2020****STATEMENT OF PROFIT OR LOSS****For the year ended 31 December 2020**

|                                   | Notes | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-----------------------------------|-------|-----------------|-----------------|
| <b>Revenue</b>                    |       | <b>242,899</b>  | <b>349,885</b>  |
| Cost of sales                     | 16    | (239,410)       | (326,091)       |
| <b>Gross profit</b>               |       | <b>3,489</b>    | <b>23,794</b>   |
| Difference on exchange            |       | (1,494)         | (683)           |
| Administrative expenses           | 16    | (7,822)         | (7,027)         |
| Distribution costs                | 16    | (8,333)         | (8,909)         |
| Other operating income            |       | 315             | 380             |
| Finance costs                     |       | (980)           | (536)           |
| <b>(Loss)/profit before tax</b>   |       | <b>(14,825)</b> | <b>7,019</b>    |
| Income tax credit/(charge)        | 18    | 5,112           | (2,300)         |
| <b>(Loss)/profit for the year</b> |       | <b>(9,713)</b>  | <b>4,719</b>    |

*The accounting policies and explanatory notes on pages 15 to 48 form an integral part of the financial statements.*

|                                                                                                                                |                 |                 |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| i. Analysed as:                                                                                                                |                 |                 |
|                                                                                                                                | 2020<br>EUR'000 | 2019<br>EUR'000 |
| EBITDA *                                                                                                                       | (10,542)        | 9,126           |
| Depreciation                                                                                                                   | (3,303)         | (1,571)         |
| Finance costs                                                                                                                  | (980)           | (536)           |
| (Loss)/profit before tax                                                                                                       | (14,825)        | 7,019           |
| *EBITDA is a measure not defined by IFRS and represents earnings before interest, tax, depreciation and amortization (note 16) |                 |                 |

**ENEMED CO. LTD.****Financial Statements for the year ended 31 December 2020****STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2020**

|                                                                                                       | Note | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-------------------------------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Comprehensive (loss)/income</b>                                                                    |      |                 |                 |
| (Loss)/profit for the year                                                                            |      | (9,713)         | 4,719           |
| <b>Other comprehensive (loss)/ income</b>                                                             |      |                 |                 |
| <i>Other comprehensive (loss)/income to be reclassified to<br/>profit or loss in subsequent years</i> |      |                 |                 |
| Cash flow hedges, net of deferred tax                                                                 | 12   | (2,145)         | 11,165          |
| Comprehensive (loss)/income                                                                           |      | (2,145)         | 11,165          |
| <b>Total comprehensive (loss)/income for the year</b>                                                 |      | <b>(11,858)</b> | <b>15,884</b>   |

*The accounting policies and explanatory notes on pages 15 to 48 form an integral part of the financial statements.*

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2020**

|                                    | Notes | Issued<br>capital<br>EUR'000 | Hedging<br>reserve<br>EUR'000 | Retained<br>earnings<br>EUR'000 | Total<br>EUR'000 |
|------------------------------------|-------|------------------------------|-------------------------------|---------------------------------|------------------|
| Balance as at 1 January 2020       | 11    | 62,250                       | 3,794                         | 18,500                          | 84,544           |
| Profit for the year                |       | -                            | -                             | (9,713)                         | (9,713)          |
| Other comprehensive income         | 12    | -                            | (2,145)                       | -                               | (2,145)          |
| Total comprehensive income         |       | -                            | (2,145)                       | (9,713)                         | (11,858)         |
| Dividends                          | 11    | -                            | -                             | (1,203)                         | (1,203)          |
| <b>Balance at 31 December 2020</b> |       | <b>62,250</b>                | <b>1,649</b>                  | <b>7,584</b>                    | <b>71,483</b>    |
| Balance as at 1 January 2019       | 11    | 62,250                       | (7,371)                       | 15,341                          | 70,220           |
| Profit for the year                |       | -                            | -                             | 4,719                           | 4,719            |
| Other comprehensive income         | 12    | -                            | 11,165                        | -                               | 11,165           |
| Total comprehensive income         |       | -                            | 11,165                        | 4,719                           | 15,884           |
| Dividends                          | 11    | -                            | -                             | (1,560)                         | (1,560)          |
| <b>Balance at 31 December 2019</b> |       | <b>62,250</b>                | <b>3,794</b>                  | <b>18,500</b>                   | <b>84,544</b>    |

*The accounting policies and explanatory notes on pages 15 to 48 form an integral part of the financial statements.*

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2020**

|                                                                      | Notes | 2020<br>EUR'000 | 2019<br>EUR'000 |
|----------------------------------------------------------------------|-------|-----------------|-----------------|
| <b>Cash flows (used in)/generated from operating activities</b>      |       |                 |                 |
| Cash (used in)/generated from operations                             | 20    | (3,844)         | 25,784          |
| Tax paid                                                             |       | 1,856           | (1,760)         |
| <b>Net cash (used in)/generated from operating activities</b>        |       | <b>(1,988)</b>  | <b>24,024</b>   |
| <b>Cash flows used in investing activities</b>                       |       |                 |                 |
| Purchase of property, plant and equipment<br>and investment property |       | (18,109)        | (50,898)        |
| <b>Net cash used in investing activities</b>                         |       | <b>(18,109)</b> | <b>(50,898)</b> |
| <b>Cash flows generated from financing activities</b>                |       |                 |                 |
| Repayment of bank borrowings                                         |       | (1,212)         | (2,395)         |
| Drawdown of bank borrowings                                          |       | 16,940          | 18,929          |
| Dividend paid                                                        |       | (1,203)         | (1,560)         |
| Interest paid                                                        |       | (1,509)         | (1,070)         |
| <b>Net cash generated from financing activities</b>                  |       | <b>13,016</b>   | <b>13,957</b>   |
| <b>Net movement in cash and cash equivalents</b>                     |       | <b>(7,081)</b>  | <b>(12,917)</b> |
| <b>Cash and cash equivalents at beginning of year</b>                |       | <b>(20,110)</b> | <b>(7,193)</b>  |
| <b>Cash and cash equivalents at end of year</b>                      | 10    | <b>(27,191)</b> | <b>(20,110)</b> |

*The accounting policies and explanatory notes on pages 15 to 44 form an integral part of the financial statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Enemed Co. Ltd. ("the Company") is registered in Malta as a limited liability Company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's principal activity is the distribution of petroleum products. The Company was incorporated on 19 August 2014.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **2.1 Basis of preparation and statement of compliance**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the Companies Act, Cap. 386 of the Laws of Malta. These have been prepared under the historical cost convention and are presented in Euro, except for derivative financial instruments which have been measured at fair value. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand (EUR'000).

##### *Going concern*

As at 31 December 2020, the company had a net current liability position of EUR27.6m (2019: EUR1.1m) and reported a loss before tax of EUR14.8m (2019: profit before tax of EUR7.0m) for the year then ended. As described in note 4.1 'Impact of COVID-19', the Directors are confident that the Company has adequate resources to remain in operation for the foreseeable future and meet its liabilities when they fall due. On this basis, the Directors have therefore continued to adopt the going concern basis in preparing these financial statements

#### **Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the period:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform
- Amendments to IFRS 3 Business Combinations

The adoption of these amendments did not have significant impact on the financial statements or performance of the Company.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**2.1 Basis of preparation and statement of compliance – continued**

**Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform –Phase 2 (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (effective for financial years beginning on or after 1 January 2021)
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective for financial years beginning on or after 1 June 2020)

**Standards, interpretations and amendments that are not yet endorsed by the EU**

- IFRS 17 Insurance Contracts (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for financial years beginning on or after 1 January 2023)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for financial years beginning on or after 1 January 2023)

The Company is still assessing the impact that these new standards will have on the financial statements.

**2.2 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (EUR), which is the Company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

The Company enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions. Further information is disclosed in Note 2.9.

All foreign exchange gains and losses are presented in the statement of profit or loss within cost of sales and specific line items within operating results.

**NOTES TO THE FINANCIAL STATEMENTS - continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.3 Property, plant and equipment**

Property, plant and equipment comprising land, buildings and infrastructural improvements, plant, equipment, furniture and fittings are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The rates of depreciation per annum used for the period are as follows:

|                     | %      |
|---------------------|--------|
| Leasehold buildings | 1.8-10 |
| Others              | 2-25   |

Depreciation is charged on a monthly basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are recognised within 'other operating income/expenditure' in the statement of profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 2.8). Property, plant and equipment are derecognised either when they have been disposed of or permanently withdrawn from use or no future economic benefit is expected from its disposal.

The Company assesses whether transferred assets from customers meet the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as revenue as the Company has no future performance obligations.

**2.4 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies, for the first time, IFRS 16-Leases as of January 1st, 2019. The Company as lessee recognises right-of-use assets and lease liabilities for most leases in the balance sheet.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**2.4 Leases - continued**

*i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

*ii) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**2.5 Issued capital**

Ordinary shares are classified as equity. Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders.

**2.6 Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**2.7 Acquisition of entities and businesses under common control**

The acquisition of business that is under common control is accounted for by applying the acquisition method (Note 2.6). The acquisition method is selected when the transaction has substance from the reporting entity's point of view. Amongst other things the entity takes the following matters into consideration to assess whether a transaction has substance: the purpose of the transaction and whether or not the transaction was performed at fair value.

**NOTES TO THE FINANCIAL STATEMENTS - continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.8 Impairment of non-financial assets**

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

**2.9 Derivative financial instruments**

Derivative financial instruments, including forward foreign exchange contracts, commodity swaps, and other derivative financial instruments, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. Fair values of commodity swaps are mainly based on dealer quotes obtained at the reporting date from the Company's counterparties.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the Company designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. In accordance with the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as an accounting hedge include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

*(a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(b) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in statement of changes in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS - continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.9 Derivative financial instruments - continued***(b) Cash flow hedge - continued*

Amounts accumulated in equity are recycled in the statement of profit or loss in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the statement of changes in equity is immediately transferred to the statement of profit or loss.

*(c) Derivatives that do not qualify for hedge accounting*

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in the statement of profit or loss.

The fair value of derivative instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve in equity are shown in Note 12.

**2.10 Financial assets**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets - Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

*Financial assets - Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**2.10 Financial assets - continued**

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at fair value through OCI - debt instruments*

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

*Financial assets at fair value through OCI - equity instruments*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS - continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.10 Financial assets – continued***Financial assets - Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

**2.11 Inventories**

Inventories are stated at the lower of cost and net realisable value and include transport and handling costs. Cost is determined by the weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**2.12 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value and comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**2.13 Financial liabilities**

*Financial liabilities - Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Financial liabilities - Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

*Financial liabilities - Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Prior to its adoption of IFRS 9 in 2018, the Company had applied IAS 39. As a result the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

*Financial liabilities - Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS - continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.14 Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

**2.15 Offsetting financial instruments**

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

**2.16 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in the statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Under this method, the Company calculates deferred income tax on the difference between the carrying values for financial reporting purposes and tax base resulting from depreciation of property, plant and equipment, fair valuation of derivative contracts and provisions. Deferred tax on unutilised tax credit arising from unabsorbed capital allowances are recognised to the extent that they net-off temporary differences arising from property, plant and equipment.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**2.17 Revenue recognition**

Revenues include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income earned for the sale of fuel products. Revenue is recognised at a point in time.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The performance obligation is to provide hospitality and leisure services as and when customers make use of the services. The transaction price follows a fee structure which is known at the date of booking or consumption of service and thus no significant estimates are required in this respect.

*Contract balances*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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

**2.18 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 3. FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's board of directors provides principles for overall risk management, as well as policies covering risks referred to above (and specific areas such as investment of excess liquidity). The general hedging guidelines regarding currency, interest rate and fuel price risks are set by the Risk Management Committee. This Committee, together with the Finance Department, is responsible for the implementation of the hedging policies. In order to manage exposures to risks arising from fluctuations in currency exchange rates and fluctuations in prices on the fuel products markets, the Company makes use of derivative financial instruments. These instruments mainly comprise foreign currency forward contracts together with fuel hedging instruments. The respective derivative transactions are concluded only with first rate counterparties.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Company is exposed to foreign exchange arising from various currency exposures, primarily with respect to the US Dollar. The Company is in a net payer position from its operating business particularly in view of a significant portion of purchases of fuel denominated in this currency.

## (a) Market risk

## (i) Foreign exchange risk

The Company's recognised risk exposures mainly reflecting the carrying amount of receivables and payables denominated in USD at the end of the reporting periods were as follows (amounts are in EUR equivalent):

|                                                | 2020<br>EUR'000 | 2019<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| Trade receivables                              | 23,544          | 18,917          |
| Trade payables                                 | (16,023)        | (20,469)        |
| Gross statement of financial position exposure | 7,521           | (1,552)         |
| Available funds in foreign currency            | 48              | 7               |
| Net exposure before hedging activity           | 7,569           | (1,545)         |
| Notional value of hedging derivatives          | 4,883           | 11,777          |
| Net exposure after hedging activity            | 12,451          | 10,232          |

The above risks are, particularly in respect of exposures to US Dollar, furthermore mitigated through the short period of time within which the payables are generally settled after the end of the reporting period. If as at 31 December 2020, and up to the date of settlement of these balances, the US Dollar had weakened or strengthened against the euro by 5% with all other variables held constant, profit or loss would have been EUR254 thousand (2019: EUR77 million) higher or lower.

## (ii) Interest rate risk

As at 31 December 2020, the Company does not have any financial instruments subject to variable interest rate except for Bank balances (including overdrafts). The effect of a change in interest rate on these balances is not considered to be material.

The Company has no financial instruments with fixed interest rate and hence not subject to fair value interest rate risk.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. FINANCIAL RISK MANAGEMENT - continued**

**3.1 Financial risk factors - continued**

(iii) *Price risk*

During the financial year ended 31 December 2020, fuel expenses amounted to EUR138.2 million (2019: EUR196.4 million) as disclosed in Note 16 to the financial statements and accounted for approximately 54% (2019: 57%) of the total operating expenses of the Company. Fluctuations in fuel and other fuel product prices may have a significant effect on the Company's results. Different hedging instruments with regard to fuel products markets are used to limit the fuel price risk. During the year ended 31 December 2020, these instruments comprised of commodity swaps and forward currency contracts. As at 31 December 2020, the notional amounts of the hedging derivatives outstanding are disclosed in Note 7.

Commodity swaps are contractual arrangements under which the Company and counterparty agree to swap the notional quantity of a commodity at a predetermined price during a set period of time. Such contracts are typically settled on a net basis by comparing the contracted swap price to the reference market price applicable during the set period; settlements are affected by either party, usually on a monthly basis, for an amount equivalent to this difference multiplied by the notional quantity of the commodity.

As at 31 December 2020, the Company held outstanding derivatives to hedge a portion of the fuel requirements for 2021. As disclosed in more detail in Note 7, these outstanding derivatives mainly comprised of swap structure. If the price of petroleum products had increased or decreased by 10% (2019: 10%) at year-end with all other variables held constant, the other comprehensive income for the year would have been EUR0.24 million (2019: EUR1.38 million) higher or lower, mainly as a result of the fair value gains or losses on the above-mentioned fuel derivatives. Such gains or losses arising from increases or decreases in the price of fuel would mitigate, to the extent of an amount of fuel purchases equivalent to the derivative contracts' notional amount as disclosed above, the higher or lower price at which the actual purchase of fuel products would take place.

(b) *Credit risk*

Credit risk principally arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

|                                                | 2020<br>EUR'000 | 2019<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| <b>Loans and receivables category:</b>         |                 |                 |
| Trade and other receivables (Note 9)           | 40,773          | 49,451          |
| Cash and cash equivalents (Note 10)            | 513             | 1,989           |
|                                                | <b>41,286</b>   | <b>51,440</b>   |
| <b>Financial instruments held for hedging:</b> |                 |                 |
| Derivative financial instruments (Note 7)      | 9,686           | 6,044           |

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned on Note 2.10 is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company has no significant past due or impaired financial assets with the exception of the amounts disclosed below in respect of trade and other receivables. The Company does not have any significant renegotiated financial asset which would otherwise be past due or impaired and holds no collateral in respect of exposures relating to trade and other receivables.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 3. FINANCIAL RISK MANAGEMENT - continued

## 3.1 Financial risk factors – continued

*(b) Credit risk - continued**Exposure to credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company considers that it is not exposed to major concentrations of credit risk in the event of non-performance of a single customer.

Significant concentrations are considered to be individual accounts receivable balances representing more than 5% of total trade and other receivable balances. At the reporting date, there was an amount receivable from a related entity amounting to EUR21.0 million (2019: EUR18.6 million).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. However, the Company's policy is generally to provide for any receivable balance that is outstanding for over one year. Actions taken to mitigate the risk of default typically include formally notifying the clients through set policies and the suspension of fuel supply in certain cases. The credit quality of the Company's trade and other receivables which are not impaired or past due reflects the nature of these assets which are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. As at 31 December 2020 no significant individual trade or other receivable that would otherwise be past due or impaired have been renegotiated.

The Company's receivables include significant amounts due from related parties that are owned, controlled, or form part of the Government of Malta. The Company's credit control function monitors related party exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Company liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors and management does not expect any losses from non-performance or default.

The ageing of trade receivables and impaired balances at the end of the reporting period was as follows:

|                 | 31 December 2020 |                | 31 December 2019 |                |
|-----------------|------------------|----------------|------------------|----------------|
|                 | Gross<br>EUR'000 | ECL<br>EUR'000 | Gross<br>EUR'000 | ECL<br>EUR'000 |
| Up to 40 days   | 21,274           | 888            | 35,928           | -              |
| Within one year | 24,114           | 3,527          | 15,893           | 2,370          |
|                 | <b>45,388</b>    | <b>4,615</b>   | <b>51,821</b>    | <b>2,370</b>   |

As at 31 December 2020, trade receivables amounting to EUR21.4 million (2019: EUR15.6 million) were past due but not impaired. Categorisation of receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 3. FINANCIAL RISK MANAGEMENT - continued

## 3.1 Financial risk factors - continued

*(b) Credit risk - continued***Trade and other receivables - continued**

The movement in provisions for impairment of trade and other receivables is analysed as follows:

|                                   | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-----------------------------------|-----------------|-----------------|
| At the beginning of year          | 2,370           | 788             |
| Increase in impairment provisions | 2,245           | 1,582           |
| <b>At end of year</b>             | <b>4,615</b>    | <b>2,370</b>    |

**Cash and cash equivalents**

The Company principally banks with financial institutions which have high quality credit standing or rating.

*Derivative financial instruments*

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-a-vis the respective derivative counterparties. Foreign exchange derivative transactions are concluded with first rate local banking institutions only, while fuel derivative contracts are entered into with foreign financial institutions which have high quality credit standing or rating. The Company's main foreign derivative counterparties as at the end of the reporting periods have an external good credit rating as determined by major rating agencies.

*(c) Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with trade and other payables (Note 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations. Management monitors liquidity risk by reviewing expected cash flows and ensures that liquid resources and facilities that are expected to be required over the coming year are in place.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. FINANCIAL RISK MANAGEMENT - continued**

**3.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

The table below presents the cash flows payable by the Company under non-derivative financial liabilities based on the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

|                                  | Carrying<br>amount<br>EUR'000 | Contractual<br>cash flows<br>EUR'000 | Within<br>one year<br>EUR'000 | 1-2<br>years<br>EUR'000 | 2-5<br>years<br>EUR'000 | Over 5<br>years<br>EUR'000 |
|----------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------|-------------------------|----------------------------|
| <b>At 31 December 2020</b>       |                               |                                      |                               |                         |                         |                            |
| Trade and other payables         | 75,254                        | 75,254                               | 75,254                        | -                       | -                       | -                          |
| Bank overdraft                   | 27,704                        | 27,704                               | 27,704                        | -                       | -                       | -                          |
| Bank borrowings                  | 51,521                        | 57,035                               | 5,509                         | 5,509                   | 16,529                  | 29,488                     |
| Lease liabilities                | 10,961                        | 25,073                               | 323                           | 329                     | 993                     | 23,428                     |
| Derivative financial instruments | 7,293                         | 7,293                                | 7,293                         | -                       | -                       | -                          |
|                                  | <b>172,733</b>                | <b>192,359</b>                       | <b>116,083</b>                | <b>5,838</b>            | <b>17,522</b>           | <b>52,916</b>              |

**At 31 December 2019**

|                                  |                |                |               |              |               |               |
|----------------------------------|----------------|----------------|---------------|--------------|---------------|---------------|
| Trade and other payables         | 64,191         | 64,191         | 64,191        | -            | -             | -             |
| Bank overdraft                   | 22,099         | 22,099         | 22,099        | -            | -             | -             |
| Bank borrowings                  | 35,793         | 39,594         | 3,799         | 3,799        | 11,397        | 20,599        |
| Lease liabilities                | 10,939         | 25,389         | 315           | 323          | 990           | 23,761        |
| Derivative financial instruments | -              | -              | -             | -            | -             | -             |
|                                  | <b>133,022</b> | <b>151,273</b> | <b>90,404</b> | <b>4,122</b> | <b>12,387</b> | <b>44,360</b> |

**3.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. FINANCIAL RISK MANAGEMENT - continued**

The gearing ratio as at 31 December 2020 was as follows:

|                                          | 2020<br>EUR'000 | 2019<br>EUR'000 |
|------------------------------------------|-----------------|-----------------|
| Total borrowings                         | 51,521          | 35,793          |
| Cash and cash equivalents (Note 10)      | (27,191)        | (20,110)        |
| Net debt                                 | 24,330          | 15,683          |
| Total equity (excluding hedging reserve) | 69,834          | 80,750          |
| Total capital                            | 94,164          | 96,433          |
| Gearing                                  | 25.8%           | 16.3%           |

The directors are constantly reviewing the adequacy of the capital level in the context of the Company's operational results, changes in the international business environment and expected reported results on the basis of management's budgets and forecasts.

**3.3 Fair values of financial instruments**

*Fair values of instruments not carried at fair value*

At 31 December 2020, the carrying amounts of cash at bank, trade and other receivables, trade and other payables and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

*Fair values estimation in relation to financial instruments carried at fair value*

The Company's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 7).

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (level 2);
- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (level 3).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible as outlined above. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's derivative financial instruments are classified as level 2. The measurement methods are disclosed in Note 2.9.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company's directors and management also make judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

**4.1 Impact of COVID-19**

As a result of the COVID-19 pandemic in 2020, the company faced significant challenges, experiencing reduction in sales volumes, both in relation to the distribution of fuel in the local market as well as in the aviation sector. The Company also experienced a delay in the collection of its receivables. With the easing of the measures implemented by the Government to contain the pandemic and the re-opening of the Malta International Airport on 1 July 2020, the company has gradually experienced a recovery in its performance and the volumes sold. However, the COVID-19 pandemic has inevitably had a significant impact on the financial performance and the financial position of the Company.

During the year, the Company has registered a loss before tax of EUR14.8 million (2019: profit before tax of EUR7.0 million), with revenue falling by 30.6% from EUR349.9 million in 2019 to EUR242.9 million in 2020. The Company has in the meantime continued with the upgrade of the facilities in Has-Saptan in line with its plans established before the onset of the pandemic. The company has engaged with its customers, suppliers and lenders in order to enable it to effectively manage the restraints experienced on its liquidity position. During the year, the Company secured a new loan of EUR8 million under the COVID-19 guarantee scheme and a 6-month moratorium on its all loans and interest repayments.

As at 31 December 2020, the company's current liabilities exceeded the current assets by EUR27.6 million in 2020 (2019: by EUR1.2 million). Management prepared a forecast which considers the actual results until August 2021 and estimates the receipts and outflows based on the expected level of operations for an extended period covering up to July 2022. The main assumptions and estimations in the forecasts relate to the sales volumes and the margins realised thereon which are subject to market changes. In July 2021, the Company has also secured additional banking facilities amounting to EUR33 million.

On the basis of the positive results generated up to August 2021, the forecasted cash flows as well as the available bank facilities, management believes that the Company will have adequate resources to meet its obligations as they fall due.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS - continued**

**4.2 Impairment testing**

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flow and projection of terminal value using the perpetuity method;
- volume growth to recover to pre-COVID-19 levels by 2022-2025.
- rate of 6.37% (pre-tax) to discount the projected cash flows to net present values.

Based on the above assessment, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

**4.3 Expected credit losses of aviation receivables**

The management of the company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The ECL is calculated by multiplying the Probability of Default (PPD), Loss Given Default (LGD), and Exposure at Default (EAD).

As a result of the COVID-19 pandemic there was a general deterioration in various sectors particularly global air traffic demand, which impacted aviation being one of the main sectors supplied by the Company. This has increased the estimation uncertainty of the probability of default of receivables from counterparties operating in the aviation sector. Included within the gross carrying amount of trade and other receivables of EUR45.3m (note 3.1) as at year end, the company receivables from counterparties operating in the aviation sector amounting to EUR21.8m (2019: EUR23.7m), out of which an amount of EUR21.0m (2019: EUR18.5m) was due from a related entity. In estimating the ECL management considers both internal debtor performance data as well as market data. The ECL on receivables from counterparties operating in the aviation sector as at year end was estimated at EUR3.8m (2019: EUR1.6m).

The estimation of ECL includes making assumptions concerning the future. Existing circumstances and assumptions about future developments may change due to market changes or circumstances that are beyond the control of the Company. The estimation uncertainty at the reporting date had the potential of causing a material adjustment to the carrying amount of trade and other receivables.

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**5. PROPERTY, PLANT AND EQUIPMENT**

|                                   | Buildings and<br>infrastructural<br>improvements<br>EUR'000 | Plant and<br>machinery<br>EUR'000 | Motor<br>vehicles<br>EUR'000 | Furniture, fittings<br>and office<br>equipment<br>EUR'000 | Assets under<br>Construction<br>EUR'000 | Total<br>EUR'000 |
|-----------------------------------|-------------------------------------------------------------|-----------------------------------|------------------------------|-----------------------------------------------------------|-----------------------------------------|------------------|
| <b>Cost</b>                       |                                                             |                                   |                              |                                                           |                                         |                  |
| As at 1 January 2019              | 26,883                                                      | 2,982                             | 2,593                        | 900                                                       | 27,373                                  | 60,731           |
| Additions                         | 773                                                         | -                                 | 2,026                        | 620                                                       | 26,537                                  | 29,956           |
| Transfer in/(out)                 | 1,664                                                       | 11,409                            | -                            | -                                                         | (13,073)                                | -                |
| <b>As at 1 January 2020</b>       | <b>29,320</b>                                               | <b>14,391</b>                     | <b>4,619</b>                 | <b>1,520</b>                                              | <b>40,837</b>                           | <b>90,687</b>    |
| Additions                         | 2,085                                                       | 5,622                             | 2,309                        | 207                                                       | 14,345                                  | 24,568           |
| Disposals                         | -                                                           | (1)                               | -                            | (65)                                                      | -                                       | (66)             |
| <b>As at 31 December 2020</b>     | <b>31,405</b>                                               | <b>20,012</b>                     | <b>6,928</b>                 | <b>1,662</b>                                              | <b>55,182</b>                           | <b>115,189</b>   |
| <b>Depreciation</b>               |                                                             |                                   |                              |                                                           |                                         |                  |
| As at 31 December 2019            | 2,114                                                       | 842                               | 323                          | 123                                                       | -                                       | 3,402            |
| Depreciation charge               | 511                                                         | 400                               | 425                          | 235                                                       | -                                       | 1,571            |
| <b>As at 1 January 2020</b>       | <b>2,625</b>                                                | <b>1,242</b>                      | <b>748</b>                   | <b>358</b>                                                | <b>-</b>                                | <b>4,973</b>     |
| Depreciation charge               | 593                                                         | 1,431                             | 599                          | 315                                                       | -                                       | 2,938            |
| Depreciation released on disposal | -                                                           | (1)                               | -                            | (35)                                                      | -                                       | (36)             |
| <b>As at 31 December 2020</b>     | <b>3,218</b>                                                | <b>2,672</b>                      | <b>1,347</b>                 | <b>638</b>                                                | <b>-</b>                                | <b>7,875</b>     |
| <b>Net Book Value</b>             |                                                             |                                   |                              |                                                           |                                         |                  |
| As at 31 December 2020            | 28,187                                                      | 17,340                            | 5,581                        | 1,024                                                     | 55,182                                  | 107,314          |
| As at 31 December 2019            | 26,695                                                      | 13,149                            | 3,871                        | 1,162                                                     | 40,837                                  | 85,714           |

The charge for depreciation included in the income statement is as follows:

|                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-------------------------|-----------------|-----------------|
| Cost of sales           | 1,488           | 550             |
| Distribution costs      | 1,084           | 756             |
| Administration expenses | 366             | 265             |
|                         | <b>2,938</b>    | <b>1,571</b>    |

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**5.1 RIGHT-OF-USE ASSETS**

The Company has lease contracts for various property used in its operations. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

|                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-------------------------|-----------------|-----------------|
| At 1 January            | 10,939          | -               |
| Upon adoption of IFRS16 | -               | 10,939          |
| Depreciation expense    | (365)           | -               |
| At 31 December          | <u>10,574</u>   | <u>10,939</u>   |

**6. GOODWILL**

The management of the Company assess the goodwill for impairment at the end of every reporting period (Note 4.1). The management considers the market variables such as oil prices trend, consumer demand, foreign currency rates and interest rates when making cash flow projection for assessing goodwill impairment.

**7. DERIVATIVE FINANCIAL INSTRUMENTS**

The fair values of Company's derivative financial instruments designated as hedging instruments at the end of the reporting year are as follows:

|                                                 | Fair values<br>Assets<br>EUR'000 | Liabilities<br>EUR'000 |
|-------------------------------------------------|----------------------------------|------------------------|
| <b>At 31 December 2020</b>                      |                                  |                        |
| Foreign exchange derivatives                    |                                  |                        |
| - currency forwards                             | -                                | (3,974)                |
| Fuel price hedging derivatives                  |                                  |                        |
| - commodity swaps                               | 9,686                            | (3,319)                |
| Total derivative financial assets/(liabilities) | <u>9,686</u>                     | <u>(7,293)</u>         |
| <b>At 31 December 2019</b>                      |                                  |                        |
| Foreign exchange derivatives                    |                                  |                        |
| - currency forwards                             | (335)                            | -                      |
| Fuel price hedging derivatives                  |                                  |                        |
| - commodity swaps                               | 6,379                            | -                      |
| Total derivative financial assets/(liabilities) | <u>6,044</u>                     | <u>-</u>               |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**7. DERIVATIVE FINANCIAL INSTRUMENTS - continued**

Derivatives are designated as cash flow hedges.

The above are included in the statement of financial position under the following classifications:

|                                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| <b>Derivative financial assets</b>      |                 |                 |
| Current                                 | 9,686           | 6,044           |
| <b>Derivative financial liabilities</b> |                 |                 |
| Current                                 | (7,293)         | -               |

**Foreign exchange derivatives**

The currency forward contracts outstanding as at 31 December 2020 have a notional value of USD67.8 million (2019: USD98.6 million).

These contracts mature within a period of one to twelve months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by these contracts are expected to affect the income statement.

**Fuel price hedging derivatives**

The fuel price hedging derivatives contracts outstanding as at 31 December 2020 have a notional value of USD78.2 million (2019: USD137.6 million).

These fuel hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to inventory/income statement as applicable as the forecast hedged transactions would simultaneously affect the results of the Company.

Risk management strategy of the Company is disclosed in Note 3.1 – Market risk.

**ENEMED CO. LTD.****Financial Statements for the year ended 31 December 2020****NOTES TO THE FINANCIAL STATEMENTS - continued****8. INVENTORIES**

|                        | 2020<br>EUR'000 | 2019<br>EUR'000 |
|------------------------|-----------------|-----------------|
| Petroleum products     | 33,950          | 26,720          |
| Consumable spare parts | 125             | 41              |
|                        | <u>34,075</u>   | <u>26,761</u>   |

During the current financial year, there were no inventory write-offs (2019: EUR0.13 million) have been reflected in these financial statements.

**9. TRADE AND OTHER RECEIVABLES**

|                                       | 2020<br>EUR'000 | 2019<br>EUR'000 |
|---------------------------------------|-----------------|-----------------|
| Trade and related receivables         | 19,044          | 29,823          |
| Amounts owed by parent company        | 2,596           | 1,529           |
| Amounts owed by other related parties | 19,133          | 18,099          |
| Prepayments and accrued income        | 201             | 106             |
|                                       | <u>40,974</u>   | <u>49,557</u>   |

Trade and related receivables are stated net of provisions for impairment as follows (Note 3.1):

|                                       | 2020<br>EUR'000 | 2019<br>EUR'000 |
|---------------------------------------|-----------------|-----------------|
| Trade and related receivables         | 275             | 788             |
| Amounts owed by other related parties | 4,340           | 1,582           |
|                                       | <u>4,615</u>    | <u>2,370</u>    |

An ageing analysis of trade receivables is included in Note 3.1.

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**10. CASH AND CASH EQUIVALENTS**

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

|                          | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Cash at bank and in hand | 513             | 1,989           |
| Bank overdraft           | (27,704)        | (22,099)        |
|                          | <u>(27,191)</u> | <u>(20,110)</u> |

**11. EQUITY**

**(a) Issued capital**

|                                                                                       | 2020<br>EUR'000 | 2019<br>EUR'000 |
|---------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Authorised and issued:</b><br>(2020/2019: 62,250,000) ordinary shares of EUR1 each | <u>62,250</u>   | <u>62,250</u>   |

**(b) Dividends**

|                               |              |              |
|-------------------------------|--------------|--------------|
| <b>Final dividend</b>         |              |              |
| Gross                         | 1,850        | 2,400        |
| Tax at source at 35%          | (647)        | (840)        |
| <b>Net</b>                    | <u>1,203</u> | <u>1,560</u> |
| <b>Net dividend per share</b> | <u>0.019</u> | <u>0.025</u> |

**12. HEDGING RESERVE**

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve. As at 31 December the reserve is made up as shown below:

|                                            | Currency<br>forwards<br>EUR'000 | Commodity<br>derivatives<br>EUR'000 | Total<br>EUR'000 |
|--------------------------------------------|---------------------------------|-------------------------------------|------------------|
| <b>At 31 December 2018</b>                 |                                 |                                     |                  |
| Gross amounts of gains/(losses)            | 1,333                           | (12,673)                            | (11,340)         |
| Deferred income taxes                      | (467)                           | 4,436                               | 3,969            |
|                                            | <u>866</u>                      | <u>(8,237)</u>                      | <u>(7,371)</u>   |
| <b>Movement – 31 December 2019</b>         |                                 |                                     |                  |
| Gains/(losses) from changes in fair value  | (2,290)                         | 22,124                              | 19,384           |
| Deferred income taxes                      | 732                             | (7,743)                             | (7,012)          |
|                                            | <u>(1,558)</u>                  | <u>14,381</u>                       | <u>12,823</u>    |
| Transferred to inventories                 | 522                             | 202                                 | 723              |
| Transferred to statement of profit or loss | -                               | (3,274)                             | (3,274)          |
| Deferred income taxes                      | (183)                           | 1,075                               | 893              |
|                                            | <u>339</u>                      | <u>(1,997)</u>                      | <u>(1,658)</u>   |

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**12. HEDGING RESERVE - continued**

|                                            | <b>Currency<br/>forwards<br/>EUR'000</b> | <b>Commodity<br/>derivatives<br/>EUR'000</b> | <b>Total<br/>EUR'000</b> |
|--------------------------------------------|------------------------------------------|----------------------------------------------|--------------------------|
| <b>At 31 December 2019</b>                 |                                          |                                              |                          |
| (Losses)/gains from changes in fair value  | (435)                                    | 6,379                                        | 5,944                    |
| Deferred income taxes                      | 82                                       | (2,232)                                      | (2,150)                  |
|                                            | <b>(353)</b>                             | <b>4,147</b>                                 | <b>3,794</b>             |
| <b>Movement – 31 December 2020</b>         |                                          |                                              |                          |
| (Losses)/gains from changes in fair value  | (3,639)                                  | (42,715)                                     | (46,354)                 |
| Deferred income taxes                      | 1,344                                    | 14,949                                       | 16,293                   |
|                                            | <b>(2,295)</b>                           | <b>(27,766)</b>                              | <b>(30,061)</b>          |
| Transferred to inventories                 | 244                                      | 26,075                                       | 26,318                   |
| Transferred to statement of profit or loss | -                                        | 16,629                                       | 16,629                   |
| Deferred income taxes                      | (85)                                     | (14,946)                                     | (15,032)                 |
|                                            | <b>159</b>                               | <b>27,757</b>                                | <b>27,916</b>            |
| <b>At 31 December 2020</b>                 |                                          |                                              |                          |
| Gross amounts of (losses)/gains            | (3,830)                                  | 6,367                                        | 2,537                    |
| Deferred income taxes                      | 1,341                                    | (2,229)                                      | (888)                    |
|                                            | <b>(2,489)</b>                           | <b>4,138</b>                                 | <b>1,649</b>             |

The net fair value gains at 31 December 2020 on commodity contracts which hedge anticipated future transactions will be transferred from the hedging reserve to inventory when the derivative is settled. It is subsequently transferred to the statement of profit or loss when the forecast transactions occurs.

**13. DEFERRED TAXATION**

The movement on deferred taxation is as follows:

|                                                        | <b>2020<br/>EUR'000</b> | <b>2019<br/>EUR'000</b> |
|--------------------------------------------------------|-------------------------|-------------------------|
| Opening balance                                        | <b>(1,914)</b>          | 5,870                   |
| (Debit)/credit to the income statement (Note 18)       | <b>5,260</b>            | (1,665)                 |
| (Debit)/credit to other comprehensive income (Note 13) | <b>1,262</b>            | (6,119)                 |
| <b>At end of year</b>                                  | <b>4,608</b>            | <b>(1,914)</b>          |

Deferred taxes are recognised using the liability method on temporary differences and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%.

**NOTES TO THE FINANCIAL STATEMENTS – continued**
**13. DEFERRED TAXATION - continued**

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

|                          | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets      | 7,212           | 1,044           |
| Deferred tax liabilities | (2,604)         | (2,958)         |
| <b>At end of year</b>    | <b>4,608</b>    | <b>(1,914)</b>  |

The directors are confident that any deferred tax liability recognised in the financial statements will be realised in the foreseeable future through trading operations conducted by the Company. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

Deferred taxation is composed of deferred tax assets and liabilities which are expected to be recovered after more than 12 months, except for deferred tax liability on the fair valuation of derivative instruments amounting to EUR0.89 million (2019: deferred tax asset of EUR2.15 million) which are expected to crystallise within the next 12 months. Deferred tax assets and liabilities and the related movements are attributable to the following items:

| (Liabilities)/assets                                    | ROU asset<br>and lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|---------------------------------------------------------|---------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                         | EUR'000                               | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2020                                       | -                                     | -                                              | (726)                               | 937         | (82)     | (2,150)     | 107       | (1,914) |
| Credit to statement of<br>other comprehensive<br>income | -                                     | -                                              | -                                   | -           | -        | 1,262       | -         | 1,262   |
| (Debit)/credit to income<br>statement                   | 136                                   | 4,658                                          | (627)                               | 1,375       | (282)    | -           | -         | 5,260   |
| At 31 December 2020                                     | 136                                   | 4,658                                          | (1,353)                             | 2,312       | (364)    | (888)       | 107       | 4,608   |

| (Liabilities)/assets                                    | ROU asset<br>and lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|---------------------------------------------------------|---------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                         | EUR'000                               | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2019                                       | -                                     | -                                              | (305)                               | 200         | 31       | 5,786       | 158       | 5,870   |
| Credit to statement of<br>other comprehensive<br>income | -                                     | -                                              | -                                   | -           | -        | (6,119)     | -         | (6,119) |
| (Debit)/credit to income<br>statement                   | -                                     | -                                              | (421)                               | 737         | (113)    | (1,817)     | (51)      | (1,665) |
| At 31 December 2019                                     | -                                     | -                                              | (726)                               | 937         | (82)     | (2,150)     | 107       | (1,914) |

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.



**NOTES TO THE FINANCIAL STATEMENTS - continued**
**14. TRADE AND OTHER PAYABLES**

|                                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| Trade payables                          | 25,063          | 30,559          |
| Accruals and deferred income            | 14,787          | 4,920           |
| Amount due to related parties (Note 23) | 35,404          | 28,712          |
|                                         | <u>75,254</u>   | <u>64,191</u>   |

**15. BANK BORROWINGS**

|                    | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------|-----------------|-----------------|
| <b>Non-current</b> |                 |                 |
| Bank Loans         | 46,932          | 32,595          |
| <b>Current</b>     |                 |                 |
| Bank Loans         | 4,589           | 3,198           |
|                    | <u>51,521</u>   | <u>35,793</u>   |

The Company has the following facilities:

- (i) Bank loan facilities of EUR43.5 million (2019: EUR35.8 million) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 15 years from first drawdown.
- (ii) Bank loan facilities of EUR8.0 million (2019: nil) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 6 years from first drawdown.
- (iii) The loan facilities are secured by a general hypothec for EUR75 million and guarantees of EUR5 million over all the assets of the Company supported by a special hypothec of EUR75 million over the Company's assets as well as other guarantees provided by third party companies.
- (iv) Subsequent to year-end, the Company secured a trade finance facility of 25m and an invoice facility amounting to 9m.

**15.1. LEASE LIABILITIES**

The Company has lease contracts for various property used in its operations. Set out below are the carrying amounts of lease liabilities and the movements during the year:

|                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|-------------------------|-----------------|-----------------|
| At 1 January            | 10,939          | -               |
| Upon adoption of IFRS16 | -               | 10,939          |
| Accretion of interest   | 338             | 316             |
| Payments                | (316)           | (316)           |
| At 31 December          | <u>10,961</u>   | <u>10,939</u>   |

**ENEMED CO. LTD.**  
**Financial Statements for the year ended 31 December 2020**

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**15.1. LEASE LIABILITIES - continued**

The following are the amounts recognised in profit or loss during the year:

|                                                | 2020<br>EUR'000 | 2019<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| Depreciation expense of right of use assets    | 365             | -               |
| Interest expense on leased liabilities         | 338             | 316             |
| Short-term leases                              | 745             | 836             |
| Total amounts recognised in the profit or loss | <b>1,448</b>    | <b>1,152</b>    |

The Company's lease contracts do not include extension and termination options.

**16. EXPENSES BY NATURE**

|                                                  | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------------------------------------|-----------------|-----------------|
| <b>Cost of sales and administrative expenses</b> |                 |                 |
| Employee benefit expense (Note 17)               | 5,761           | 6,786           |
| Depreciation of property, plant and equipment    | 2,938           | 1,571           |
| Depreciation of right of use assets              | 365             | -               |
| Net purchases of petroleum products              | 138,239         | 196,441         |
| Maintenance and inventory related expenses       | 831             | 1,220           |
| Duty on products sold                            | 96,859          | 123,719         |
| Rent                                             | 745             | 836             |
| Other expenses                                   | 9,827           | 11,454          |
|                                                  | <b>255,565</b>  | <b>342,027</b>  |
| <b>Disclosed as</b>                              |                 |                 |
| Cost of sales                                    | 239,410         | 326,091         |
| Transmission and distribution costs              | 7,822           | 8,909           |
| Administrative expenses                          | 8,333           | 7,027           |
| <b>Total</b>                                     | <b>255,565</b>  | <b>342,027</b>  |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**16. EXPENSES BY NATURE - continued**

*Auditor's fees*

Fees charged by the auditor for services rendered during the year ended 31 December 2020 and 2019 relate to the following:

|                          | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Annual statutory audit   | 30              | 23              |
| Other non-audit services | 4               | 4               |
| <b>Total</b>             | <b>34</b>       | <b>27</b>       |

**17. EMPLOYEE BENEFIT EXPENSE**

|                                      | 2020<br>EUR'000 | 2019<br>EUR'000 |
|--------------------------------------|-----------------|-----------------|
| Wages and salaries                   | 2,978           | 2,462           |
| Social security costs                | 184             | 139             |
|                                      | <b>3,162</b>    | <b>2,601</b>    |
| Amounts recharged by related parties | 2,708           | 4,045           |
| Other differences                    | (109)           | 140             |
|                                      | <b>5,761</b>    | <b>6,786</b>    |

Employee benefit expenses represent amounts recharged by a related Company (Note 23). The average number of persons employed by the Company during the year amounted to 174 (2019: 178).

|                | 2020<br>No. | 2019<br>No. |
|----------------|-------------|-------------|
| Administration | 32          | 35          |
| Operations     | 142         | 143         |
|                | <b>174</b>  | <b>178</b>  |

Directors' remuneration is disclosed in Note 19.

**18. INCOME TAX EXPENSE**

|                                        | 2020<br>EUR'000 | 2019<br>EUR'000 |
|----------------------------------------|-----------------|-----------------|
| Current tax expense                    | 148             | 635             |
| Deferred tax (credit)/charge (Note 13) | (5,260)         | 1,665           |
| Income tax (credit)/ expense           | <b>(5,112)</b>  | <b>2,300</b>    |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18. INCOME TAX EXPENSE – continued**

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

|                  | <b>2020</b>                       |                                   |                                   |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                  | <b>Before<br/>tax<br/>EUR'000</b> | <b>Tax<br/>credit<br/>EUR'000</b> | <b>Net of<br/>tax<br/>EUR'000</b> |
| Cash flow hedges | 2,537                             | (888)                             | 1,649                             |

|                  | <b>2019</b>                       |                                   |                                   |
|------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                  | <b>Before<br/>tax<br/>EUR'000</b> | <b>Tax<br/>credit<br/>EUR'000</b> | <b>Net of<br/>tax<br/>EUR'000</b> |
| Cash flow hedges | 5,944                             | (2,150)                           | 3,794                             |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

|                                          | <b>2020<br/>EUR'000</b> | <b>2019<br/>EUR'000</b> |
|------------------------------------------|-------------------------|-------------------------|
| (Loss)/profit before tax                 | (14,825)                | 7,019                   |
| Tax on (loss)/profit at 35%              | (5,189)                 | 2,457                   |
| Tax effect of:                           |                         |                         |
| Income taxed at other tax rates          | (265)                   | (320)                   |
| Expenses not deductible for tax purposes | 243                     | 203                     |
| Other differences                        | 99                      | (40)                    |
| Income tax (credit)/expense              | (5,112)                 | 2,300                   |

**19. DIRECTORS' EMOLUMENTS**

|                               | <b>2020<br/>EUR'000</b> | <b>2019<br/>EUR'000</b> |
|-------------------------------|-------------------------|-------------------------|
| Salaries and other emoluments | 47                      | 12                      |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**20. CASH FROM OPERATIONS**

Reconciliation of profit before tax to cash from operations:

|                                                         | 2020<br>EUR'000 | 2019<br>EUR'000 |
|---------------------------------------------------------|-----------------|-----------------|
| Profit/(loss) before tax                                | (14,825)        | 7,019           |
| <i>Adjustments for:</i>                                 |                 |                 |
| Depreciation on property, plant and equipment (Note 5)  | 2,938           | 1,571           |
| Depreciation on ROU assets (Note XX)                    | 365             | -               |
| Provision for impairment of trade and other receivables | 2,245           | 1,582           |
| Provision for obsolete stock                            | -               | (145)           |
| Loss on disposal                                        | 29              | -               |
| Finance costs                                           | 980             | 536             |
| <i>Change in working capital:</i>                       |                 |                 |
| Inventories                                             | (7,070)         | (780)           |
| Trade and other receivables                             | 6,338           | (11,674)        |
| Trade and other payables                                | 5,156           | 27,675          |
| <b>Cash from operations</b>                             | <b>(3,844)</b>  | <b>25,784</b>   |

**21. COMMITMENTS**

**Capital commitments**

At the year end, the Company had the following capital commitments in respect of property, plant and equipment:

|                                 | 2020<br>EUR'000 | 2019<br>EUR'000 |
|---------------------------------|-----------------|-----------------|
| Authorised but not contracted   | -               | 28,847          |
| Contracted but not yet incurred | 23,913          | 37,723          |
|                                 | <b>23,913</b>   | <b>66,570</b>   |

**22. CONTINGENCIES**

**Guarantees**

As at 31 December 2020, letters of credit amounting to EUR4.1 million (2019: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

**NOTES TO THE FINANCIAL STATEMENTS – continued****23. RELATED PARTY TRANSACTIONS**

The Company's immediate parent is Petromal Company Limited which is a Company registered in Malta with registration number C65288 and registered address 31<sup>st</sup> March 1979 Installation, Sacred Heart Promenade, Birżebbuġia, Malta. The results of the Company are consolidated with the results of Petromal Company Limited. The Company is ultimately owned and controlled by the Government of Malta. Therefore, the Company considers that, for the purpose of IAS 24 (revised), the Government and Government-related entities are related parties for the purpose of the disclosures required by IAS 24. The Company supplies petroleum products in the ordinary course of business to related parties. The compensation payable to key management personnel amounted to EUR316,178 (2019: EUR194,019).

During the year, the Company had the following transactions with Government and Government-related entities:

|                         | <b>2020</b>     | 2019      |
|-------------------------|-----------------|-----------|
|                         | <b>EUR'000</b>  | EUR'000   |
| Revenue                 | <b>18,631</b>   | 30,338    |
| Cost of sales           | <b>(96,859)</b> | (123,719) |
| Administrative expenses | <b>(2,890)</b>  | (4,045)   |
| Dividends               | <b>1,203</b>    | 1,560     |

Significant balances with Government and Government-related entities for the Company as at the end of the reporting periods are disclosed as follows:

Notes 9 and 14 include details of trade receivables and trade payables held with related parties. As at 31 December, the Company also had the following balances held with Government and Government related entities:

|                           | <b>2020</b>    | 2019    |
|---------------------------|----------------|---------|
|                           | <b>EUR'000</b> | EUR'000 |
| Cash and cash equivalents | <b>162</b>     | 143     |
| Bank borrowings           | <b>51,521</b>  | 35,793  |
| Overdraft                 | <b>27,704</b>  | 22,099  |
| Tax receivable            | <b>1,972</b>   | 3,976   |

As disclosed in note 22, letters of credit amounting to EUR4.1 million (2019: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**24. COMPARATIVE INFORMATION**

Certain comparative information was updated to conform to the current year's presentation. Changes are summarised below:

**Statement of Financial Position**

|                                 | <b>Reported</b>      |                   | <b>Updated</b>       |
|---------------------------------|----------------------|-------------------|----------------------|
|                                 | <b>December 2019</b> | <b>Adjustment</b> | <b>December 2019</b> |
|                                 | <b>EUR'000</b>       | <b>EUR'000</b>    | <b>EUR'000</b>       |
| Right of use assets             | -                    | 10,939            | 10,939               |
| Lease liabilities – Non-current | -                    | (10,939)          | (10,939)             |

**Statement of Profit or Loss**

|                    | <b>Reported</b>      |                   | <b>Updated</b>       |
|--------------------|----------------------|-------------------|----------------------|
|                    | <b>December 2019</b> | <b>Adjustment</b> | <b>December 2019</b> |
|                    | <b>EUR'000</b>       | <b>EUR'000</b>    | <b>EUR'000</b>       |
| Distribution costs | (9,225)              | 316               | (8,909)              |
| Finance costs      | (220)                | (316)             | (536)                |

Similarly, the notes to these financial statements that support the above balances were adjusted to reflect the transaction above.

Company Registration No. C 66404

**ENEMED CO. LTD.**

**Annual Report and Financial Statements**

**31 December 2021**





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## **ENEMED CO. LTD.**

### **Annual report and financial statements for the year ended 31 December 2021**

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#### **GENERAL INFORMATION**

##### **Registration**

Enemed Co. Ltd. ("the Company") is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 66404. The Company was incorporated on 19 August 2014.

##### **Directors**

Mr. Kevin Chircop (Chairman)  
Mr. Francis Cassar  
Ms. Nikita Zammit Alamango  
Ms. Alison Zerafa Civelli (resigned on 20 July 2022)  
Ms. Sarah Camilleri  
Ms. Stephanie Pace Hili  
Mr. Andrew Luke Vella (resigned on 7 October 2021)  
Mr. Jeffrey James Camilleri (appointed on 7 October 2021)  
Mr. Emanuel Vassallo (appointed on 20 July 2022)

##### **Company secretary**

Ms. Charmaine Cherrett (resigned on 7 October 2021)  
Mr. Ishmael Psaila (appointed on 7 October 2021 & resigned on 18 May 2023)  
Mr. Emanuel N/A Noel Bezzina (appointed on 18 May 2023)

##### **Registered office**

National Distribution Centre,  
Triq il-Mina tal-Hazna tal-Fjuwil,  
Has-Saptan, Ghaxaq GXQ1260  
Malta

##### **Auditor**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
Malta



## **ENEMED CO. LTD.**

### **Annual report and financial statements for the year ended 31 December 2021**

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#### **Directors' Report**

The directors present their annual report and the audited financial statements of Enemed Co. Ltd. ("the Company") for the year ended 31 December 2021.

#### **Principal activities**

The principal activity of the Company is the importation and distribution of petroleum products and the renting of fuel storage facilities to third parties.

#### **Performance review and future developments**

In July 2021, the new National Distribution Centre in Has-Saptan, went into operation and the Birzebbugia facility was put on cold standby to ensure operations stability. In December of 2021, all storage tanks at Birzebbugia were emptied. In November 2021, the administration of the Company moved into the new Head Office to further centralise operations. During the current year, the Company was still recovering from the impact of the COVID-19 pandemic and notwithstanding a significant improvement when compared to the results of 2020, the performance of 2021 was still under par when compared to pre-COVID levels.

To ensure management's focus to achieve the strategic objectives set out by the Board of Directors, six pillars have been identified at the beginning of the year, and this report will state the achievements with respect to each pillar.

The key results achieved in each respective pillar are reported below.

#### **Financial review**

The statement of profit or loss of the Company is set out on page 12. During the current year, the Company reported revenue of EUR276.4 million (2020: EUR242.9 million). During the same year, the Company has generated a profit before tax of EUR20.6 million (2020: loss before tax of EUR14.8 million). There was an increase in sales across the board for all business segments when compared to 2020. Diesel sales increased by 19%, Unleaded sales increased by 10% and Jet A1 sales increased by 35%.

#### **Going Concern**

Having made an appropriate assessment of going concern as discussed in Note 2.1 to these financial statements, the Directors, at the time of approving these financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, these financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will meet their financial obligations as and when they fall due.

#### **Quality**

Quality of products remained paramount during 2021 and further strengthened the brand and customer base of the Company. The strong internal audit program lead by Quality Assurance Department, led to recertification of ISO 9001:2015 for all the Company facilities. In addition, all franchise fuel stations were audited and found to be compliant to the required quality standards.

From a regulatory viewpoint, the Company successfully passed the COMAH audits with no major findings and the JIG inspection at the airport facilities. In addition, throughout the year, the company has prepared itself for the external audit to obtain the ISO14001:2015 certification.

In terms of Health, Safety and Environmental, the Company did not have a good score since seven major accidents were reported. Five incidents were related to spills and another two incidents involved the safety of third party.

**Directors' Report – continued****Innovation**

The Company continued in its efforts to maintain the high standard of fuel quality for the inland fuels market by setting up a new laboratory at the new Has-Saptan facility. Furthermore, a new statistical sampling program, that provides more confidence in the quality consistency of fuels dispatched, was implemented.

**Team**

The primary focus for this year to sustain the Team pillar was mainly driven through the implementation of ten policies related to the well-being of the workforce. These policies are also aimed to attract and retain employees and are fully aligned with the Company's vision to "become the preferred choice for our team".

A new HR payroll system replaced an older version that was going to be discontinued by end 2022. Hence the HR team managed to introduce a new system one year in advance. In terms of training development, a soft skills training to more than sixty employees including middle management was provided over a six-month period.

**Operational Excellence**

In terms of Operational Excellence, the major milestone of fully commissioning the National Distribution Centre at Has Saptan was successfully achieved in July with a full move including Head Office affected by November. Other initiatives included the development and implementation of a preventive maintenance system for all installations. Also, the implementation of a shift system for the Maintenance Section, covering a seven-day week period, ensured that maintenance in the silent hours can be carried out without any disruptions. Shifting and total refurbishment of the Vapour Recovery Unit which was conducted for the first time by Enemed employees rather than bringing consultants from abroad thus resulting in a cost saving for the Company. The allocation and training of Stock Installation Controllers to operate all installations as one team whereas in the past these employees were trained on one specific installation, the new set up increased flexibility in shifting employees from one installation to another when the need arises.

**Customer**

In 2021, a three-day seminar and refresher training for all franchisees was conducted ensuring that all franchised stations maintain and are kept abreast with the Company's standards. In addition, version 1 of the Fuel Ordering Application was designed and launched to all twenty-five franchised stations across Malta. This mobile tool allows fuel station owners to place daily orders through the app without the need of calling at the Dispatch Unit. A further improvement in resolution and closure of customer complaints was recorded since in 2021, all complaints were closed within five working days.

**Dividends**

During the year, the Company declared and settled a dividend amounting of EUR1.6 million (2020: EUR1.20 million) to its shareholders. No further dividends are recommended.

**Directors**

The directors who served until the date of authorization of these financial statements were as listed on page 2. In accordance with the Company's Memorandum and Articles of Association, the present directors are to remain in office. Subsequent to year end, one of the previous Directors of the Company, Ms. Alison Zerafa Civelli, resigned and was replaced by Mr. Emanuel Vassallo on 20 July 2022.

**Directors' Report – continued**

**Risk management**

The Company's risk management policies are disclosed in Note 4 of the financial statements.

**Subsequent events**

*i. Geopolitical events and their impact on fuel prices and operations of the Company*

In early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. The Company managed to partially offset the price volatility and surging costs through its hedging arrangements for certain fuels. These measures provided a level of financial stability amid the market turbulence. However, due to the extreme volatility, it was challenging to hedge certain other fuels at the desired price levels. Consequently, these fuels remained exposed to the market's instability, impacting the Company's cost structures and financial results. This cost escalation would have led the Company to increase its fuel selling prices to ensure the continuity of its operations in a feasible and economically viable manner.

To shield the Maltese industry and the general public from a drastic rise in the price of fuel, the Government of Malta ('Government') opted to subsidise the energy utilities, which also covers the motor fuels traded by the Company through a Government Grant. Such Grant absorbs the additional rise in fuel costs, thereby safeguarding the Company's operational sustainability. The government has opted for this mechanism which has been designed to counterbalance the surge in fuel costs without passing the burden onto the industry and the general public, by ensuring that the market fuel prices remained at the same levels. The government grant is regarded as an important consideration in the Company's assessment as a going concern as noted in note 2.1 to these financial statements, as in the absence of increase in fuel selling prices, the financial support provided by the government significantly contributes to the Company's ability to continue its operations in the normal course of business.

During 2022, the Company received EUR111million in Government Grant for the purpose of retaining adequate liquidity, out of which, EUR67.8million were taken to profit or loss during 2022 based on the grant mechanism explained above. In the November 2022 budget speech, the government reaffirmed its commitment to supporting the energy sector through the continuation of subsidies covering energy utilities during 2023, which also cover the motor fuels traded by the Company. Consequently, during 2023 the Company continued to be in receipt of Government Grants which amounted to EUR 64.5 million. In November 2023, the government announced that it will continue to subsidise the energy sector into 2024 with the aim of shielding the Maltese market from an increase in fuel prices.

*ii. Financing*

On 3 May 2022, the Company secured a new facility with a local credit institution amounting to EUR50million, with EUR25million secured against diesel or hydro treated vegetable oil stock and another EUR25million covered by an alternative security (being a government guarantee).

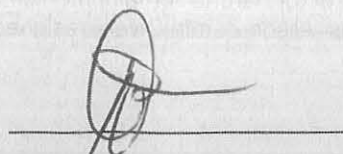
**Auditors**

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on its behalf on 26 February 2024 by:



**MR. K. CHIRCOP**  
Executive Chairman



**MR. J. CAMILLERI**  
Director

**Statement of Directors' Responsibilities**

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.





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## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Enemed Co. Ltd.

### Report on the audit of the audit of the financial statements

#### Opinion

We have audited the financial statements of Enemed Co. Ltd (the "Company"), set on pages 10 to 60, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

#### 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 Code of Ethics for Professional Accountants (including International Independence Standards)* as issued by the *International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to Note 28 to the financial statements, which describes relevant events that occurred subsequent to the reporting date, mainly relating to geopolitical events and their impact on fuel prices and operations of the Company. Our opinion is not modified in respect of this matter.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Enemed Co. Ltd. - continued

### **Report on the audit of the audit of the financial statement - continued**

#### **Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation





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## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Enemed Co. Ltd. – continued

### Report on the audit of the financial statement – continued

#### Auditor's responsibilities for the audit of the financial statements - continued

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

#### Report on other legal and regulatory requirements

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

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

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

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records
- we have not received all the information and explanations we require for our audit.

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

*The partner in charge of the audit resulting in this independent auditor's report is  
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

26 February 2024

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021**

|                                  | Notes | 2021<br>EUR'000 | 2020<br>EUR'000 |
|----------------------------------|-------|-----------------|-----------------|
| <b>ASSETS</b>                    |       |                 |                 |
| <b>Non-current assets</b>        |       |                 |                 |
| Property, plant and equipment    | 6     | 112,754         | 107,314         |
| Goodwill                         | 7     | 34,500          | 34,500          |
| Right-of-use assets              | 17    | 11,630          | 10,574          |
| Deferred tax asset               | 14    | 605             | 4,608           |
| Total non-current assets         |       | 159,489         | 156,996         |
| <b>Current assets</b>            |       |                 |                 |
| Inventories                      | 9     | 32,973          | 34,075          |
| Trade and other receivables      | 10    | 54,664          | 40,974          |
| Derivative financial instruments | 8     | 2,469           | 9,686           |
| Tax receivable                   |       | -               | 1,972           |
| Cash and cash equivalents        | 11    | 1,658           | 513             |
| Total current assets             |       | 91,764          | 87,220          |
| <b>Total assets</b>              |       | 251,253         | 244,216         |

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF FINANCIAL POSITION - continued**  
**As at 31 December 2021**

|                                       | Notes | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------|-------|-----------------|-----------------|
| <b>EQUITY AND LIABILITIES</b>         |       |                 |                 |
| <b>Equity</b>                         |       |                 |                 |
| Issued capital                        | 12    | 62,250          | 62,250          |
| Retained earnings                     |       | 19,133          | 7,584           |
|                                       |       | <b>81,383</b>   | 69,834          |
| Hedging reserve                       | 13    | 442             | 1,649           |
|                                       |       | <b>81,825</b>   | 71,483          |
| <b>Non-current liabilities</b>        |       |                 |                 |
| Interest-bearing loans and borrowings | 16    | 43,813          | 46,932          |
| Lease liabilities                     | 17    | 12,379          | 10,961          |
| Total non-current liabilities         |       | <b>56,192</b>   | 57,893          |
| <b>Current liabilities</b>            |       |                 |                 |
| Trade and other payables              | 15    | 70,481          | 75,254          |
| Interest-bearing loans and borrowings | 16    | 38,742          | 32,293          |
| Derivative financial instruments      | 8     | 1,577           | 7,293           |
| Tax payable                           |       | 2,436           | -               |
| Total current liabilities             |       | <b>113,236</b>  | 114,840         |
| Total liabilities                     |       | <b>169,428</b>  | 172,733         |
| Total equity and liabilities          |       | <b>251,253</b>  | 244,216         |

The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.

The financial statements on pages 10 to 60 were authorised for issue by the Board of Directors on 26 February 2024 and were signed on its behalf by:



**MR. K. CHIRCOP**  
Executive Chairman



**MR. J. CAMILLERI**  
Director

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF PROFIT OR LOSS**  
**For the year ended 31 December 2021**

|                                   | Notes | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-----------------------------------|-------|-----------------|-----------------|
| Revenue                           | 18    | 276,415         | 242,899         |
| Cost of sales                     | 19    | (233,556)       | (239,410)       |
| <b>Gross profit</b>               |       | <b>42,859</b>   | <b>3,489</b>    |
| Other operating income            |       | 1,694           | 315             |
| Selling and distribution expenses | 19    | (11,374)        | (8,333)         |
| Administrative expenses           | 19    | (11,996)        | (7,822)         |
| Difference on exchange            |       | 921             | (1,494)         |
| Finance costs                     | 20    | (1,490)         | (980)           |
| <b>Profit/(loss) before tax</b>   |       | <b>20,614</b>   | <b>(14,825)</b> |
| Income tax (charge)/credit        | 22    | (7,433)         | 5,112           |
| <b>Profit/(loss) for the year</b> |       | <b>13,181</b>   | <b>(9,713)</b>  |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2021**

|                                                                                                       | Note | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-------------------------------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Comprehensive income/(loss)</b>                                                                    |      |                 |                 |
| Profit/(loss) for the year                                                                            |      | <b>13,181</b>   | (9,713)         |
| <b>Other comprehensive income/(loss)</b>                                                              |      |                 |                 |
| <i>Other comprehensive income/(loss) to be reclassified to<br/>profit or loss in subsequent years</i> |      |                 |                 |
| Cash flow hedges, net of deferred tax                                                                 | 13   | <b>(1,207)</b>  | (2,145)         |
| Comprehensive loss                                                                                    |      | <b>(1,207)</b>  | (2,145)         |
| <b>Total comprehensive income/(loss) for the year</b>                                                 |      | <b>11,974</b>   | (11,858)        |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2021**

|                                    | Notes | Issued<br>capital<br>EUR'000 | Hedging<br>reserve<br>EUR'000 | Retained<br>earnings<br>EUR'000 | Total<br>EUR'000 |
|------------------------------------|-------|------------------------------|-------------------------------|---------------------------------|------------------|
| Balance as at 1 January 2021       | 12    | 62,250                       | 1,649                         | 7,584                           | 71,483           |
| Profit for the year                |       | -                            | -                             | 13,181                          | 13,181           |
| Other comprehensive loss           | 13    | -                            | (1,207)                       | -                               | (1,207)          |
| Total comprehensive income/(loss)  |       | -                            | (1,207)                       | 13,181                          | 11,974           |
| Dividends                          | 12    | -                            | -                             | (1,632)                         | (1,632)          |
| <b>Balance at 31 December 2021</b> |       | <b>62,250</b>                | <b>442</b>                    | <b>19,133</b>                   | <b>81,825</b>    |
| Balance as at 1 January 2020       | 12    | 62,250                       | 3,794                         | 18,500                          | 84,544           |
| Loss for the year                  |       | -                            | -                             | (9,713)                         | (9,713)          |
| Other comprehensive loss           | 13    | -                            | (2,145)                       | -                               | (2,145)          |
| Total comprehensive loss           |       | -                            | (2,145)                       | (9,713)                         | (11,858)         |
| Dividends                          | 12    | -                            | -                             | (1,203)                         | (1,203)          |
| <b>Balance at 31 December 2020</b> |       | <b>62,250</b>                | <b>1,649</b>                  | <b>7,584</b>                    | <b>71,483</b>    |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2021**

|                                                                      | Notes | 2021<br>EUR'000 | 2020<br>EUR'000 |
|----------------------------------------------------------------------|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                          |       |                 |                 |
| Cash generated from/(used in) operations                             | 24    | 18,459          | (3,844)         |
| Tax paid                                                             |       | 1,627           | 1,856           |
| <b>Net cash generated from/(used in) operating activities</b>        |       | <b>20,086</b>   | <b>(1,988)</b>  |
| <b>Cash flows from investing activities</b>                          |       |                 |                 |
| Purchase of property, plant and equipment<br>and investment property |       | (18,891)        | (18,109)        |
| <b>Net cash used in investing activities</b>                         |       | <b>(18,891)</b> | <b>(18,109)</b> |
| <b>Cash flows from financing activities</b>                          |       |                 |                 |
| Repayment of bank borrowings                                         |       | (3,968)         | (1,212)         |
| Drawdown of bank borrowings                                          |       | 911             | 16,940          |
| Payment of principal portion of lease liabilities                    |       | (332)           | -               |
| Dividend paid                                                        |       | (1,632)         | (1,203)         |
| Interest paid                                                        |       | (1,417)         | (1,509)         |
| <b>Net cash (used in)/generated from financing activities</b>        |       | <b>(6,438)</b>  | <b>13,016</b>   |
| <b>Net movement in cash and cash equivalents</b>                     |       | <b>(5,243)</b>  | <b>(7,081)</b>  |
| <b>Cash and cash equivalents at beginning of year</b>                |       | <b>(27,191)</b> | <b>(20,110)</b> |
| <b>Cash and cash equivalents at end of year</b>                      | 11    | <b>(32,434)</b> | <b>(27,191)</b> |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Enemed Co. Ltd. ("the Company") is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's principal activity is the importation and distribution of petroleum products and the renting of fuel storage facilities to third parties. The Company was incorporated on 19 August 2014 and holds a registration number of C 66404.

**2. BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and with the Companies Act, Cap. 386 of the Laws of Malta.

The financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Euro ("EUR") which is the Company's functional and presentation currency. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand ("EUR'000").

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 5 to these financial statements.

**2.1 Going Concern***Operations*

During the year ended 31 December 2021, the Company reported revenue of EUR276.4million (2020: EUR242.9million) and generated a profit before tax of EUR20.6million (2020: loss before tax of EUR14.8million). Such improvement in results evidence recovery from the effects of the COVID-19 pandemic, however the Company's operations have not yet reached pre COVID-19 levels.

The positive results achieved by the Company during the year ended 31 December 2021 are largely attributed to effective hedging strategies in place for its two main products, diesel and unleaded. The successful implementation of these hedging agreements has enabled the Company to maintain its profitability.

*Financial Position*

As at 31 December 2021, the Company's current liabilities exceeded its current assets by EUR21.5million (2020: EUR27.6million) whereas the Company's total assets exceeded its total liabilities by EUR81.8million (2020: EUR71.5million). Despite the current liability position, the Company generate sufficient cash flows from operations within a financial year which provides the necessary liquidity to settle its short-term obligations. Moreover, a portion of the Company's trade and other payables balance are with related parties, with which repayment terms can be managed if the need arises.

As outlined below, management has prepared a cashflow forecast for the Company to assess the sustainability of its operations over the foreseeable future considering a going concern assessment period covering up to 31 December 2024.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2. BASIS OF PREPARATION – continued**

**2.1 Going Concern – continued**

*Liquidity*

As at reporting date, the Company had aggregate banking facilities of EUR85.2million (2020: EUR79.2million) of which EUR2.6million (2020: nil) were undrawn banking facilities.

As explained in Note 16 to these financial statements, the Company has contractual loan covenants, which require maintaining a minimum Debt Service Coverage Ratio ("DSCR") or for the Company to demonstrate its ability to generate sufficient cash to service its debt obligations.

Subsequent to year end, the Company has secured a trade finance facility amounting to EUR50million, for the purpose of providing the Company with immediate access to funds to manage short-term cash flow needs or unexpected increase in costs.

*Geopolitical events and their impact on fuel prices and operations of the Company*

As explained in Note 28 to these financial statements, in early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. The Company managed to partially offset the price volatility and surging costs through its hedging arrangements for certain fuels. These measures provided a level of financial stability amid the market turbulence. However, due to the extreme volatility, it was challenging to hedge certain other fuels at the desired price levels. Consequently, these fuels remained exposed to the market's instability, impacting the Company's cost structures and financial results. This cost escalation would have led the Company to increase its fuel selling prices to ensure the continuity of its operations in a feasible and economically viable manner.

To shield the Maltese industry and the general public from a drastic rise in the price of fuel, the Government of Malta ('Government') opted to subsidise the energy utilities, which also covers the motor fuels traded by the Company through a Government Grant. Such Grant absorbs the additional rise in fuel costs, thereby safeguarding the Company's operational sustainability. The Government has opted for this mechanism which has been designed to counterbalance the surge in fuel costs without passing the burden onto the industry and the general public, by ensuring that the market fuel prices remained at the same levels.

During 2022, the Company received EUR111million in Government Grant for the purpose of retaining adequate liquidity, out of which, EUR67.8million were taken to profit or loss during 2022 based on the grant mechanism explained above.

In the November 2022 budget speech, the government reaffirmed its commitment to supporting the energy sector through the continuation of subsidies covering energy utilities during 2023, which also cover the motor fuels traded by the Company. Consequently, during 2023 the Company continued to be in receipt of Government Grants which amounted to EUR64.5 million. Similarly, in November 2023, the government announced that it will continue to subsidise the energy sector into 2024 with the aim of shielding the Maltese market from an increase in fuel prices.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**2. BASIS OF PREPARATION – continued**

**2.1 Going Concern – continued**

*Cashflow forecast*

Management has prepared a cashflow forecast for the period ending 31 December 2024, considering significant events and transactions that have occurred or are expected to occur subsequent to year end, taking into account actual results to date and projected activities, including forecasted revenue and expenditure, up to 31 December 2024.

The cashflow forecast prepared by management takes into consideration the expected sales volumes and the continuation of the Government Grant explained above, together with other working capital considerations.

Management has also considered other scenarios, and under the scenarios tested, the Company is expected to continue to have sufficient liquidity relative to the facilities available to it.

Accordingly, based on information available at the time of approving these financial statements, the Directors have reasonable expectation that the Company will meet all its obligations as and when they fall due over the assessment period and therefore, that the going concern basis adopted for the preparation of these financial statements remains appropriate.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- Amendments to IFRS 16 Leases: COVID-19 – Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)

The adoption of these amendments did not have significant impact on the financial statements or performance of the Company.

**3.2 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for financial year beginning on or after 1 January 2022)

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.2 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective – continued**

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023) (effective immediately for financial year beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for financial year beginning on or after 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements:
  - o Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
  - o Classification of Liabilities as Current or Non-current – Deferral of effective date (issued on 15 July 2020);
  - o Non-current liabilities with covenants (issued on 31 October 2022) (effective for financial year beginning on or after 1 January 2024)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements or performance of the Company. The Company has not early adopted any standard, interpretation or amendment that have been issued but is not yet effective.

**3.3 Standards, interpretations and amendments that are not yet endorsed by the EU**

These are as follows:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statements of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

The Company is still assessing the impact that these new standards will have on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.4 Foreign currency translation***(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro ("EUR"), which is the Company's functional and presentation currency.

*(b) Transactions and balances*

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

The Company enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions. Further information is disclosed in Note 3.11.

All foreign exchange gains and losses are presented in the statement of profit or loss within cost of sales and specific line items within operating results.

**3.5 Property, plant and equipment**

Property, plant and equipment comprising buildings and infrastructural improvements, plant, equipment, furniture and fittings are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes the purchase price and any directly attributable cost of preparing the asset for its intended use.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The rates of depreciation per annum used for the period are as follows:

|                        | %       |
|------------------------|---------|
| Leasehold buildings    | 1.5 - 3 |
| Plant and Machinery    | 2 - 20  |
| Motor Vehicles         | 10      |
| Furniture and Fittings | 10 - 25 |



**NOTES TO THE FINANCIAL STATEMENTS – continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.5 Property, plant and equipment – continued**

Depreciation is charged on a monthly basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are recognised within 'other operating income/expenditure' in the statement of profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Property, plant and equipment are derecognised either when they have been disposed of or permanently withdrawn from use or no future economic benefit is expected from their disposal.

**3.6 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the profit and loss in the period in which they are incurred.

**3.7 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over 50 years to 63 years, being the shorter of the lease term and the estimated useful lives of the leased assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Note 3.14 impairment of non-financial assets.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.7 Leases - continued**

*ii) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.8 Issued capital and dividends**

Ordinary shares are classified as equity. Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders.

**3.9 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.10 Fair value measurement**

The Company measures financial instruments such as derivatives, and non-financial assets at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



**NOTES TO THE FINANCIAL STATEMENTS - continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.11 Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, including forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. Fair values of commodity swaps are mainly based on dealer quotes obtained at the reporting date from the Company's counterparties. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

*(a) Fair value hedges*

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.11 Derivative financial instruments and hedge accounting - continued**

*(b) Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

*(c) Hedges of a net investment*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The fair value of derivative instruments used for hedging purposes are disclosed in Note 8. Movements in the hedging reserve in equity are shown in Note 13.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.12 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 3.18 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortised cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.12 Financial instruments – continued**

i. Financial assets – continued

*Subsequent measurement - continued*

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.12 Financial instruments - continued**

i. Financial assets – continued

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement.

ii. Financial Liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.12 Financial instruments - continued**

ii. Financial Liabilities – continued

*Subsequent measurement – continued*

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3.13 Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.13 Impairment of financial assets - continued**

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

**3.14 Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.14 Impairment of non-financial assets – continued**

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**3.15 Inventories**

Inventories are stated at the lower of cost and net realisable value and include transport and handling costs.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.16 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value and comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**3.17 Current and deferred income tax**

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax is charged or credited to profit or loss. Current income tax relating to items realized directly in equity is realized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods.

ii. Deferred income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are realized for all taxable temporary differences and deferred tax assets are realized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be realized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.18 Revenue from contracts with customers**

Revenue include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Revenue is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Company recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income generated from the sale of fuel products. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the fuel products.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

**3.19 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

## 4.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's board of directors provides principles for overall risk management, as well as policies covering risks referred to above (and specific areas such as investment of excess liquidity). The general hedging guidelines regarding currency and fuel price risks are set by the Risk Management Committee. This Committee, together with the Finance Department, is responsible for the implementation of the hedging policies. In order to manage exposures to risks arising from fluctuations in currency exchange rates and fluctuations in prices on the fuel products, the Company makes use of derivative financial instruments. These instruments mainly comprise foreign currency forward contracts together with fuel hedging instruments. The respective derivative transactions are concluded only with first rate counterparties.

## (a) Market risk

## (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Company is exposed to foreign exchange arising from various currency exposures, primarily with respect to the US Dollar. The Company is in a net payer position from its operating business particularly in view of a significant portion of purchases of fuel denominated in this currency.

The Company's recognised risk exposures mainly reflecting the carrying amount of receivables and payables denominated in USD at the end of the reporting periods were as follows (amounts are in EUR equivalent):

|                                                | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| Trade receivables                              | 39,278          | 23,544          |
| Trade payables                                 | (29,317)        | (16,023)        |
| Gross statement of financial position exposure | 9,961           | 7,521           |
| Available funds in foreign currency            | 999             | 48              |
| Net exposure before hedging activity           | 10,960          | 7,569           |
| Notional value of hedging derivatives          | 892             | 2,393           |
| Net exposure after hedging activity            | 11,852          | 9,962           |

The above risks are, particularly in respect of exposures to US Dollar, furthermore, mitigated through the short period of time within which the payables are generally settled after the end of the reporting period. If as at 31 December 2021, and up to the date of settlement of these balances, the US Dollar had weakened or strengthened against the euro by 5% with all other variables held constant, profit or loss would have been EUR0.05 million (2020: EUR0.03 million) higher or lower.

## (ii) Interest rate risk

As at 31 December 2021, the Company does not have any financial instruments subject to variable interest rate except for loans and borrowings (including overdrafts). The effect of a change in interest rate on these balances is not considered to be material.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

## 4.1 Financial risk factors - continued

## (iii) Price risk

During the financial year ended 31 December 2021, fuel expenses amounted to EUR137.5 million (2020: EUR138.2 million) as disclosed in Note 19 to the financial statements and accounted for approximately 53.5% (2020: 54.0%) of the total operating expenses of the Company. Fluctuations in fuel and other fuel product prices may have a significant effect on the Company's results. Different hedging instruments with regard to fuel products markets are used to limit the fuel price risk. During the year ended 31 December 2021, these instruments comprised of commodity swaps and forward currency contracts. As at 31 December 2021, the notional amounts of the hedging derivatives outstanding are disclosed in Note 8.

Commodity swaps are contractual arrangements under which the Company and counterparty agree to swap the notional quantity of a commodity at a predetermined price during a set period of time. Such contracts are typically settled on a net basis by comparing the contracted swap price to the reference market price applicable during the set period; settlements are affected by either party, usually on a monthly basis, for an amount equivalent to this difference multiplied by the notional quantity of the commodity.

As at 31 December 2021, the Company held outstanding derivatives to hedge a portion of the fuel requirements for 2022. As disclosed in more detail in Note 8, these outstanding derivatives mainly comprised of swap structure. If the price of petroleum products had increased or decreased by 10% (2020: 10%) at year-end with all other variables held constant, the other comprehensive income for the year would have been EUR0.5 million (2020: EUR0.24 million) higher or lower, mainly as a result of the fair value gains or losses on the above-mentioned fuel derivatives. Such gains or losses arising from increases or decreases in the price of fuel would mitigate, to the extent of an amount of fuel purchases equivalent to the derivative contracts' notional amount as disclosed above, the higher or lower price at which the actual purchase of fuel products would take place.

## (b) Credit risk

Credit risk principally arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

|                                                | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| <b>Loans and receivables category:</b>         |                 |                 |
| Trade and other receivables (Note 10)          | 54,484          | 40,773          |
| Cash and cash equivalents (Note 11)            | 1,658           | 513             |
|                                                | <b>56,142</b>   | <b>41,286</b>   |
| <b>Financial instruments held for hedging:</b> |                 |                 |
| Derivative financial instruments (Note 8)      | 2,469           | 9,686           |

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned in Note 3.12 is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company has no significant past due or impaired financial assets with the exception of the amounts disclosed below in respect of trade and other receivables. The Company does not have any significant renegotiated financial asset which would otherwise be past due or impaired and holds no collateral in respect of exposures relating to trade and other receivables.



## NOTES TO THE FINANCIAL STATEMENTS – continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

## 4.1 Financial risk factors – continued

*(b) Credit risk - continued**Exposure to credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Significant concentrations of credit risk are considered to be individual accounts receivable balances representing more than 5% of total trade and other receivable balances. At the reporting date, there was an amount receivable from related parties amounting to EUR21.4 million (2020: EUR21.7 million).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. However, the Company's policy is generally to provide for any receivable balance that is outstanding for over one year. Actions taken to mitigate the risk of default typically include formally notifying the clients through set policies and the suspension of fuel supply in certain cases. The credit quality of the Company's trade and other receivables which are not impaired or past due reflects the nature of these assets which are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

The Company's receivables include significant amounts due from related parties that are owned, controlled, or form part of the Government of Malta. The Company's credit control function monitors related party exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Company liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors and management does not expect any losses from non-performance or default.

The ageing of trade receivables and impaired balances at the end of the reporting period was as follows:

|                 | 31 December 2021 |         | 31 December 2020 |         |
|-----------------|------------------|---------|------------------|---------|
|                 | Gross            | ECL     | Gross            | ECL     |
|                 | EUR'000          | EUR'000 | EUR'000          | EUR'000 |
| Up to 40 days   | 34,205           | -       | 21,274           | 888     |
| Within one year | 30,100           | 10,407  | 24,114           | 3,727   |
|                 | 64,305           | 10,407  | 45,388           | 4,615   |

As at 31 December 2021, trade receivables amounting to EUR16.5 million (2020: EUR21.4 million) were past due but not impaired. Categorisation of receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

## 4.1 Financial risk factors - continued

*(b) Credit risk - continued***Trade and other receivables - continued**

The movement in provisions for impairment of trade and other receivables is analysed as follows:

|                                             | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| At the beginning of year                    | 4,615           | 2,370           |
| Increase in impairment provisions (Note 19) | 5,792           | 2,245           |
| <b>At end of year</b>                       | <b>10,407</b>   | <b>4,615</b>    |

**Cash and cash equivalents**

The Company principally banks with financial institutions which have high quality credit standing or rating.

**Derivative financial instruments**

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-a-vis the respective derivative counterparties. Foreign exchange derivative transactions are concluded with first rate local banking institutions only, while fuel derivative contracts are entered into with foreign financial institutions which have high quality credit standing or rating. The Company's main foreign derivative counterparties as at the end of the reporting periods have an external good credit rating as determined by major rating agencies.

*(c) Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with trade and other payables (Note 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations. Management monitors liquidity risk by reviewing expected cash flows and ensures that liquid resources and facilities that are expected to be required over the coming year are in place.

**NOTES TO THE FINANCIAL STATEMENTS - continued**
**4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**
**4.1 Financial risk factors - continued**
*(c) Liquidity risk - continued*

The table below presents the cash flows payable by the Company under non-derivative financial liabilities based on the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

|                                              | Carrying<br>amount<br>EUR'000 | Contractual<br>cash flows<br>EUR'000 | Within<br>one year<br>EUR'000 | 1-2<br>years<br>EUR'000 | 2-5<br>years<br>EUR'000 | Over 5<br>years<br>EUR'000 |
|----------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------|-------------------------|----------------------------|
| <b>At 31 December 2021</b>                   |                               |                                      |                               |                         |                         |                            |
| Trade and other payables<br>(Note 15)        | 70,481                        | 70,481                               | 70,481                        | -                       | -                       | -                          |
| Bank overdraft<br>(Note 11)                  | 34,092                        | 34,092                               | 34,092                        | -                       | -                       | -                          |
| Bank borrowings (Note 16)                    | 48,463                        | 53,352                               | 5,510                         | 5,510                   | 15,982                  | 26,350                     |
| Lease liabilities (Note 17)                  | 12,379                        | 12,379                               | (32)                          | (34)                    | (64)                    | 12,509                     |
| Derivative financial<br>Instruments (Note 8) | 1,577                         | 1,577                                | 1,577                         | -                       | -                       | -                          |
|                                              | <b>166,992</b>                | <b>171,881</b>                       | <b>111,628</b>                | <b>5,476</b>            | <b>15,918</b>           | <b>38,859</b>              |

**At 31 December 2020**

|                                              |                |                |                |              |               |               |
|----------------------------------------------|----------------|----------------|----------------|--------------|---------------|---------------|
| Trade and other payables<br>(Note 15)        | 75,254         | 75,254         | 75,254         | -            | -             | -             |
| Bank overdraft<br>(Note 11)                  | 27,704         | 27,704         | 27,704         | -            | -             | -             |
| Bank borrowings (Note 16)                    | 51,521         | 57,035         | 5,509          | 5,509        | 16,529        | 29,488        |
| Lease liabilities (Note 17)                  | 10,961         | 12,341         | (38)           | (32)         | (80)          | 12,491        |
| Derivative financial<br>instruments (Note 8) | 7,293          | 7,293          | 7,293          | -            | -             | -             |
|                                              | <b>172,733</b> | <b>179,627</b> | <b>115,722</b> | <b>5,477</b> | <b>16,449</b> | <b>41,979</b> |

**4.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

## 4.2 Capital risk management – continued

The gearing ratio as at 31 December 2021 was as follows:

|                                          | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------------|-----------------|-----------------|
| Total borrowings (Note 16)               | 82,555          | 79,225          |
| Cash and cash equivalents (Note 11)      | (1,658)         | (513)           |
| Net debt                                 | 80,897          | 78,712          |
| Total equity (excluding hedging reserve) | 81,383          | 69,834          |
| Total capital                            | 162,280         | 148,546         |
| Gearing                                  | 49.9%           | 53.0%           |

The directors are constantly reviewing the adequacy of the capital level in the context of the Company's operational results, changes in the international business environment and expected reported results on the basis of management's budgets and forecasts.

## 4.3 Fair values of financial instruments

*Fair values of instruments not carried at fair value*

At 31 December 2021, the carrying amounts of cash at bank, trade and other receivables, trade and other payables and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

*Fair values estimation in relation to financial instruments carried at fair value*

The Company's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 8).

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued**

**4.3 Fair values of financial instruments – continued**

*Fair values estimation in relation to financial instruments carried at fair value – continued*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's derivative financial instruments are classified as level 2. The measurement methods are disclosed in Note 3.10.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company's directors and management also make judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

Except for the below, in the opinion of the Directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

*Impairment testing*

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flow projections for the next 25 years and projection of terminal value using the perpetuity method;
- growth rates of 2%; and
- use of 7.5% (pre-tax) to discount the projected cash flows to net present values.

Based on the above assessment, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS – continued**

**Estimates and assumptions – continued**

*Expected credit losses of aviation receivables*

Management recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive discounted at an approximation of the original effective interest rate.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The ECL is calculated by multiplying the Probability of Default (PPD), Loss Given Default (LGD), and Exposure at Default (EAD).

As a result of COVID-19 pandemic, the impact of which was still being felt by the Company during the current financial year, there was a general deterioration in various sectors particularly global air traffic demand, which impacted aviation being one of the main sectors supplied by the Company. This has increased the estimation uncertainty of the probability of default of receivables from counterparties operating in the aviation sector. Included within the gross carrying amount of trade and other receivables of EUR64.3 million (2020: EUR 45.3 million) as at year end (as per Note 4.1 to these financial statements), the company receivables from counterparties operating in the aviation sector amounting to EUR29.8 million (2020: EUR21.8 million), out of which an amount of EUR24.5 million (2020: EUR21 million) was due from related party. In estimating the ECL management considers both internal debtor performance data as well as market data. The ECL on receivables from counterparties operating in the aviation sector as at year end was estimated at EUR8 million (2020: EUR 3.8 million).

The estimation of ECL includes making assumptions concerning the future. Existing circumstances and assumptions about the future developments may change due to market changes or circumstances that are beyond the control of the Company.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**6. PROPERTY, PLANT AND EQUIPMENT**

|                                      | Buildings and<br>infrastructural<br>improvements<br>EUR'000 | Plant and<br>machinery<br>EUR'000 | Motor<br>vehicles<br>EUR'000 | Furniture<br>and office<br>equipment<br>EUR'000 | Assets under<br>Construction<br>EUR'000 | Total<br>EUR'000 |
|--------------------------------------|-------------------------------------------------------------|-----------------------------------|------------------------------|-------------------------------------------------|-----------------------------------------|------------------|
| <b>Cost</b>                          |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 1 January 2020                 | 29,320                                                      | 14,391                            | 4,619                        | 1,520                                           | 40,837                                  | 90,687           |
| Additions                            | 2,085                                                       | 5,622                             | 2,309                        | 207                                             | 14,345                                  | 24,568           |
| Transfer in/(out)                    | -                                                           | (1)                               | -                            | (65)                                            | -                                       | (66)             |
| <b>As at 1 January 2021</b>          | <b>31,405</b>                                               | <b>20,012</b>                     | <b>6,928</b>                 | <b>1,662</b>                                    | <b>55,182</b>                           | <b>115,189</b>   |
| Additions                            | -                                                           | 916                               | 87                           | 497                                             | 8,660                                   | 10,160           |
| Disposals                            | -                                                           | (32)                              | -                            | (6)                                             | -                                       | (38)             |
| Transfers                            | 11,164                                                      | 52,522                            | -                            | -                                               | (63,686)                                | -                |
| <b>As at 31 December 2021</b>        | <b>42,569</b>                                               | <b>73,418</b>                     | <b>7,015</b>                 | <b>2,153</b>                                    | <b>156</b>                              | <b>125,311</b>   |
| <b>Depreciation</b>                  |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 1 January 2020                 | 2,625                                                       | 1,242                             | 748                          | 358                                             | -                                       | 4,973            |
| Depreciation charge                  | 593                                                         | 1,431                             | 599                          | 315                                             | -                                       | 2,938            |
| Depreciation released<br>on disposal | -                                                           | (1)                               | -                            | (35)                                            | -                                       | (36)             |
| <b>As at 1 January 2021</b>          | <b>3,218</b>                                                | <b>2,672</b>                      | <b>1,347</b>                 | <b>638</b>                                      | <b>-</b>                                | <b>7,875</b>     |
| Depreciation charge                  | 703                                                         | 2,945                             | 699                          | 335                                             | -                                       | 4,682            |
| <b>As at 31 December 2021</b>        | <b>3,921</b>                                                | <b>5,617</b>                      | <b>2,046</b>                 | <b>973</b>                                      | <b>-</b>                                | <b>12,557</b>    |
| <b>Net Book Value</b>                |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 31 December 2021               | 38,648                                                      | 67,801                            | 4,969                        | 1,180                                           | 156                                     | 112,754          |
| As at 31 December 2020               | 28,187                                                      | 17,340                            | 5,581                        | 1,024                                           | 55,182                                  | 107,314          |

The charge for depreciation included in the income statement is as follows:

|                         | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-------------------------|-----------------|-----------------|
| Cost of sales           | 609             | 1,488           |
| Distribution costs      | 3,696           | 1,084           |
| Administration expenses | 377             | 366             |
|                         | <b>4,682</b>    | <b>2,938</b>    |

**NOTES TO THE FINANCIAL STATEMENTS - continued****7. GOODWILL**

Goodwill recognised by the Company was acquired in a business combination during 2014. Goodwill has an indefinite useful life and is tested for impairment annually.

*Impairment testing of goodwill*

Management assesses goodwill for impairment at the end of every reporting period (Note 5), considering market variables such as oil prices trend, consumer demand, foreign currency rates and interest rates. The recoverable amount was assessed based on estimates of expected future cashflows, based on EBITDA as identified in the 2022 – 2046 business plan approved by the Board of Directors in December 2021. A pre-tax discount rate of 7.5% (2020: 6.37%) has been applied which reflects the specific risks relating to all the market segments in which the Company operates.

*Key assumptions used in value in use calculations and sensitivity to changes in assumptions*

The calculation of value in use for the enterprise is most sensitive to the following assumptions:

- Projected cashflows
- Discount rates
- Growth rates used to extrapolate cashflows beyond the forecast period.

**Projected cashflows** – Expected future cashflows are based on EBITDA, being a key factor in projecting future cash flows as it represents the operational profitability of the Company. Working capital and capital expenditure are deducted from EBITDA to arrive at free cashflows, which better represent the true amount of cash expected to be generated by the Company after accounting for the cash outflows needed to maintain its operations. In determining the financial projections for the Company covering a 25-year period, management has also considered the time when the demand for petrol and diesel starts to decrease in line with the expected shift away from combustible engines as EU regulations on CO<sub>2</sub> emissions become more stringent.

**Discount rates** – The discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and their operating segments and is derived from their weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the risk-free rate, the equity risk premium and the size premium for the industry. The cost of debt is based on the interest-bearing borrowings that the Company is obliged to service. An increase in the discount rate would result in an impairment of goodwill.

**Growth rates used to extrapolate cashflows beyond the forecast period** – Rates are based on publicly available industry data. A reduction in the long-term growth would result in an impairment of goodwill.

*Sensitivity*

On the basis of the base case discussed above and current market data available to management, no impairment charge is required for the current year (2020: Nil).

A reduction in forecasted EBITDA by 1.9% or increase in WACC by 0.3% would result in breakeven. Should management's expectations of forecasted EBITDA be reduced by 10%, an impairment of EUR21.2million against goodwill would be required.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**8. DERIVATIVE FINANCIAL INSTRUMENTS**

The fair values of Company's derivative financial instruments designated as hedging instruments at the end of the reporting year are as follows:

|                                                 | <b>Fair values</b> |                    |
|-------------------------------------------------|--------------------|--------------------|
|                                                 | <b>Assets</b>      | <b>Liabilities</b> |
|                                                 | <b>EUR'000</b>     | <b>EUR'000</b>     |
| <b>At 31 December 2021</b>                      |                    |                    |
| Foreign exchange derivatives                    |                    |                    |
| - currency forwards                             | 2,469              | -                  |
| Fuel price hedging derivatives                  |                    |                    |
| - commodity swaps                               | -                  | (1,577)            |
| Total derivative financial assets/(liabilities) | 2,469              | (1,577)            |
| <b>At 31 December 2020</b>                      |                    |                    |
| Foreign exchange derivatives                    |                    |                    |
| - currency forwards                             | -                  | (3,974)            |
| Fuel price hedging derivatives                  |                    |                    |
| - commodity swaps                               | 9,686              | (3,319)            |
| Total derivative financial assets/(liabilities) | 9,686              | (7,293)            |



**NOTES TO THE FINANCIAL STATEMENTS - continued****8. DERIVATIVE FINANCIAL INSTRUMENTS - continued**

Derivatives are designated as cash flow hedges.

The above are included in the statement of financial position under the following classifications:

|                                         | <b>2021</b>    | <b>2020</b>    |
|-----------------------------------------|----------------|----------------|
|                                         | <b>EUR'000</b> | <b>EUR'000</b> |
| <b>Derivative financial assets</b>      |                |                |
| Current                                 | 2,469          | 9,686          |
| <b>Derivative financial liabilities</b> |                |                |
| Current                                 | (1,577)        | (7,293)        |

**Foreign exchange derivatives**

The currency forward contracts outstanding as at 31 December 2021 have a notional value of USD78 million (2020: USD67.8 million).

These contracts mature within a period of one to twelve months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by these contracts are expected to affect the income statement.

**Fuel price hedging derivatives**

The fuel price hedging derivatives contracts outstanding as at 31 December 2021 have a notional value of USD62.3 million (2020: USD78.2 million).

These fuel hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to inventory/income statement as applicable as the forecast hedged transactions would simultaneously affect the results of the Company.

Risk management strategy of the Company is disclosed in Note 4.1 – Market risk.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**9. INVENTORIES**

|                        | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------|-----------------|-----------------|
| Petroleum products     | 32,833          | 33,950          |
| Consumable spare parts | 140             | 125             |
|                        | <u>32,973</u>   | <u>34,075</u>   |

There have been no inventory write-offs in the current and prior year.

**10. TRADE AND OTHER RECEIVABLES**

|                                         | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| Trade receivables – third parties (i)   | 32,508          | 19,044          |
| Trade receivables – related parties (i) | 18,530          | 19,133          |
| Amounts owed by parent company (ii)     | 2,860           | 2,596           |
| Prepayments and accrued income          | 180             | 201             |
| Other receivables                       | 586             | -               |
|                                         | <u>54,664</u>   | <u>40,974</u>   |

(i) Trade receivables are non-interest bearing and repayable on 30-60 day terms.

**Impairment of financial assets – trade receivables**

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due

Trade receivables are stated net of expected credit losses as follows (Note 4.1):

|                                     | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-------------------------------------|-----------------|-----------------|
| Trade receivables – third parties   | 833             | 275             |
| Trade receivables – related parties | 9,574           | 4,340           |
|                                     | <u>10,407</u>   | <u>4,615</u>    |

An ageing analysis of trade receivables is included in Note 4.1.

(ii) Amounts owed by parent company are unsecured, interest-free and have no fixed date of repayment.



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****NOTES TO THE FINANCIAL STATEMENTS - continued****11. CASH AND CASH EQUIVALENTS**

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

|                          | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Cash at bank and in hand | 1,658           | 513             |
| Bank overdraft (Note 16) | (34,092)        | (27,704)        |
|                          | <u>(32,434)</u> | <u>(27,191)</u> |

**12. EQUITY****(a) Issued capital**

|                                         | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| <b>Authorised and issued:</b>           |                 |                 |
| 62,250,000 ordinary shares of EUR1 each | 62,250          | 62,250          |

**(b) Dividends**

|                               | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-------------------------------|-----------------|-----------------|
| <b>Final dividend</b>         |                 |                 |
| Gross                         | 2,511           | 1,850           |
| Tax at source at 35%          | (879)           | (647)           |
| <b>Net</b>                    | <u>1,632</u>    | <u>1,203</u>    |
| <b>Net dividend per share</b> | <u>0.026</u>    | <u>0.019</u>    |

**(c) Retained Earnings**

Retained earnings represent the profits generated from the date of incorporation to 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS – continued

13. HEDGING RESERVE

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve. As at 31 December the reserve is made up as shown below:

|                                            | Currency<br>forwards<br>EUR'000 | Commodity<br>derivatives<br>EUR'000 | Total<br>EUR'000 |
|--------------------------------------------|---------------------------------|-------------------------------------|------------------|
| <b>At 31 December 2019</b>                 |                                 |                                     |                  |
| Gross amounts of gains/(losses)            | (435)                           | 6,379                               | 5,944            |
| Deferred income taxes                      | 82                              | (2,232)                             | (2,150)          |
|                                            | <b>(353)</b>                    | <b>4,147</b>                        | <b>3,794</b>     |
| <b>Movement – 31 December 2020</b>         |                                 |                                     |                  |
| (Losses)/gains from changes in fair value  | (3,639)                         | (42,715)                            | (46,354)         |
| Deferred income taxes                      | 1,344                           | 14,949                              | 16,293           |
|                                            | <b>(2,295)</b>                  | <b>(27,766)</b>                     | <b>(30,061)</b>  |
| Transferred to inventories                 | 243                             | 26,075                              | 26,318           |
| Transferred to statement of profit or loss | -                               | 16,629                              | 16,629           |
| Deferred income taxes                      | (85)                            | (14,946)                            | (15,031)         |
|                                            | <b>158</b>                      | <b>27,758</b>                       | <b>27,916</b>    |
| <b>At 31 December 2020</b>                 |                                 |                                     |                  |
| Gross amounts of (losses)/gains            | (3,831)                         | 6,368                               | 2,537            |
| Deferred income taxes                      | 1,341                           | (2,229)                             | (888)            |
|                                            | <b>(2,490)</b>                  | <b>4,139</b>                        | <b>1,649</b>     |
| <b>Movement – 31 December 2021</b>         |                                 |                                     |                  |
| (Losses)/gains from changes in fair value  | 6,442                           | 34,789                              | 41,231           |
| Deferred income taxes                      | (2,255)                         | (12,176)                            | (14,431)         |
|                                            | <b>4,187</b>                    | <b>22,613</b>                       | <b>26,800</b>    |
| Transferred to inventories                 | (356)                           | (34,416)                            | (34,772)         |
| Transferred to statement of profit or loss | -                               | (8,317)                             | (8,317)          |
| Deferred income taxes                      | 125                             | 14,957                              | 15,082           |
|                                            | <b>(231)</b>                    | <b>(27,776)</b>                     | <b>(28,007)</b>  |
| <b>At 31 December 2021</b>                 |                                 |                                     |                  |
| Gross amounts of (losses)/gains            | 2,255                           | (1,576)                             | 679              |
| Deferred income taxes                      | (789)                           | 552                                 | (237)            |
|                                            | <b>1,466</b>                    | <b>(1,024)</b>                      | <b>442</b>       |

The net fair value gains at 31 December 2021 on commodity contracts which hedge anticipated future transactions will be transferred from the hedging reserve to inventory when the derivative is settled. It is subsequently transferred to the statement of profit or loss when the forecast transactions occur.

**NOTES TO THE FINANCIAL STATEMENTS - continued****14. DEFERRED TAXATION**

The movement on deferred taxation is as follows:

|                                                        | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------------------------------------|-----------------|-----------------|
| Opening balance                                        | 4,608           | (1,914)         |
| (Debit)/credit to the income statement (Note 22)       | (4,653)         | 5,260           |
| (Debit)/credit to other comprehensive income (Note 13) | 650             | 1,262           |
| <b>At end of year</b>                                  | <b>605</b>      | <b>4,608</b>    |

Deferred taxes are recognised using the liability method on temporary differences and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%.

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

|                          | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets      | 4,196           | 7,212           |
| Deferred tax liabilities | (3,591)         | (2,604)         |
| <b>At end of year</b>    | <b>605</b>      | <b>4,608</b>    |

The directors are confident that any deferred tax liability recognised in the financial statements will be realised in the foreseeable future through trading operations conducted by the Company. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 14. DEFERRED TAXATION - continued

Deferred taxation is composed of deferred tax assets and liabilities which are expected to be recovered after more than 12 months, except for deferred tax liability on the fair valuation of derivative instruments amounting to EURO.24 million (2020: EURO.89 million) which are expected to crystallise within the next 12 months. Deferred tax assets and liabilities and the related movements are attributable to the following items:

| (Liabilities)/<br>Assets                                   | ROU<br>asset<br>and<br>lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|------------------------------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                            | EUR'000                                     | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2021                                          | 136                                         | 4,658                                          | (1,353)                             | 2,312       | (364)    | (888)       | 107       | 4,608   |
| Credit to<br>statement of other<br>comprehensive<br>income | -                                           | -                                              | -                                   | -           | -        | 650         | -         | 650     |
| (Debit)/credit to<br>income statement                      | 126                                         | (4,652)                                        | (1,773)                             | 1,103       | 650      | -           | (107)     | (4,653) |
| At 31 December<br>2021                                     | 262                                         | 6                                              | (3,126)                             | 3,415       | 286      | (238)       | -         | 605     |

| (Liabilities)/<br>Assets                                   | ROU<br>asset<br>and<br>lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|------------------------------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                            | EUR'000                                     | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2020                                          | -                                           | -                                              | (726)                               | 937         | (82)     | (2,150)     | 107       | (1,914) |
| Credit to<br>statement of other<br>comprehensive<br>income | -                                           | -                                              | -                                   | -           | -        | 1,262       | -         | 1,262   |
| (Debit)/credit to<br>income statement                      | 136                                         | 4,658                                          | (627)                               | 1,375       | (282)    | -           | -         | 5,260   |
| At 31 December<br>2020                                     | 136                                         | 4,658                                          | (1,353)                             | 2,312       | (364)    | (888)       | 107       | 4,608   |

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 15. TRADE AND OTHER PAYABLES

|                                    | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------|-----------------|-----------------|
| Trade payables (i)                 | 38,828          | 25,063          |
| Amount due to related parties (ii) | 15,978          | 35,404          |
| Accruals and deferred income (iii) | 15,675          | 14,787          |
|                                    | <b>70,481</b>   | <b>75,254</b>   |

- (i) Trade payables are non-interest bearing and repayable within a 60-day term.
- (ii) Amounts due to related parties are unsecured, interest free and repayable on-demand.
- (iii) Accruals and deferred income mainly relate to accruals for fuel purchases not yet invoiced as at year-end and deferred income arising on sale of heavy gas oil.

## 16. INTEREST BEARING LOANS AND BORROWINGS

|                                             | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| Bank loans                                  | 48,463          | 51,521          |
| Bank overdrafts (Note 11)                   | 34,092          | 27,704          |
| Total interest-bearing loans and borrowings | <b>82,555</b>   | <b>79,225</b>   |

|                                             | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| On demand or within one year                | 38,742          | 32,293          |
| Between two and five years                  | 19,005          | 4,681           |
| After five years                            | 24,808          | 42,251          |
| Total interest-bearing loans and borrowings | <b>82,555</b>   | <b>79,225</b>   |

|                                             | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| Non-current                                 | 43,813          | 46,932          |
| Current                                     | 38,742          | 32,293          |
| Total interest-bearing loans and borrowings | <b>82,555</b>   | <b>79,225</b>   |

The Company has the following facilities:

- (i) Bank loan facilities of EUR41.3 million (2020: EUR43.5 million) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 15 years from first drawdown. Such loan facilities are subject to loan covenants which require maintaining a minimum Debt Service Coverage Ratio ("DSCR") which was met by the Company as at 31 December 2021 (31 December 2020: same).
- (ii) Bank loan facilities of EUR7.1 million (2020: EUR8.0 million) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 15 years from first drawdown.
- (iii) The loan facilities are secured by a general hypothec for EUR75 million and guarantees of EUR5 million over all the assets of the Company supported by a special hypothec of EUR75 million over the Company's assets as well as other guarantees provided by third party companies.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 17. LEASES

*Company as lessee*

The Company has lease contracts for various property used in its operations. Such leases have lease terms between 50 and 63 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

|                      | 2021<br>EUR'000 | 2020<br>EUR'000 |
|----------------------|-----------------|-----------------|
| At 1 January         | 10,574          | 10,939          |
| Additions            | 1,318           | -               |
| Depreciation expense | (262)           | (365)           |
| At 31 December       | 11,630          | 10,574          |

Set out below are the carrying amounts of lease liabilities and the movements during the year:

|                       | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-----------------------|-----------------|-----------------|
| At 1 January          | 10,961          | 10,939          |
| Additions             | 1,318           | -               |
| Accretion of interest | 432             | 338             |
| Payments              | (332)           | (316)           |
| At 31 December        | 12,379          | 10,961          |

The following are the amounts recognised in profit or loss:

|                                                                                      | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------------------------------------------------------------------|-----------------|-----------------|
| Depreciation expense of right-of-use assets                                          | 209             | 365             |
| Interest expense on lease liabilities                                                | 432             | 338             |
| Expense relating to short-term leases (included with cost of sales)                  | 1,034           | 745             |
| Expense relating to leases of low-value assets (included in administrative expenses) | 29              | -               |
| <b>Total amount recognised in profit or loss</b>                                     | <b>1,704</b>    | <b>1,448</b>    |

The Company had total cash outflows for leases of EUR0.3 million in 2021 (2020: EUR0.3 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of EUR1.265 million and EUR1.318 million respectively in 2021 (2020: Nil).

The Company's lease contracts do not include extension and termination options.

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****NOTES TO THE FINANCIAL STATEMENTS – continued****18. REVENUE**

Revenue is made up of the following:

|                                    | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------|-----------------|-----------------|
| Distribution of petroleum products | 275,511         | 240,894         |
| Rental income                      | 904             | 2,005           |
|                                    | <b>276,415</b>  | <b>242,899</b>  |

Distribution of petroleum products fall under IFRS 15 and is recognized at a point in time.

**19. EXPENSES BY NATURE**

|                                                  | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------------------------------|-----------------|-----------------|
| <b>Cost of sales and administrative expenses</b> |                 |                 |
| Employee benefit expense (Note 21)               | 6,210           | 5,761           |
| Depreciation of property, plant and equipment    | 4,682           | 2,938           |
| Depreciation of right of use assets              | 262             | 365             |
| Increase in expected credit losses               | 5,792           | 2,245           |
| Net purchases of petroleum products              | 137,499         | 138,239         |
| Maintenance and inventory related expenses       | 913             | 831             |
| Duty on products sold                            | 92,635          | 96,859          |
| Rent                                             | 1,034           | 745             |
| Other expenses                                   | 7,898           | 7,582           |
|                                                  | <b>256,926</b>  | <b>255,565</b>  |
| <b>Disclosed as</b>                              |                 |                 |
| Cost of sales                                    | 233,556         | 239,410         |
| Transmission and distribution costs              | 11,374          | 8,333           |
| Administrative expenses                          | 11,996          | 7,822           |
| <b>Total</b>                                     | <b>256,926</b>  | <b>255,565</b>  |

*Auditor's fees*

Fees charged by the auditor for services rendered during the year ended 31 December 2021 and 2020 relate to the following:

|                          | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Annual statutory audit   | 60              | 30              |
| Other non-audit services | 13              | 4               |
| <b>Total</b>             | <b>73</b>       | <b>34</b>       |



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**20. FINANCE COSTS**

|                                        | 2021<br>EUR'000 | 2020<br>EUR'000 |
|----------------------------------------|-----------------|-----------------|
| Interest on bank loans                 | 826             | 559             |
| Interest on right-of-use assets leased | 432             | 339             |
| Guarantee fees                         | 232             | 82              |
|                                        | <u>1,490</u>    | <u>980</u>      |

**21. EMPLOYEE BENEFIT EXPENSE**

|                                      | 2021<br>EUR'000 | 2020<br>EUR'000 |
|--------------------------------------|-----------------|-----------------|
| Wages and salaries                   | 3,926           | 2,978           |
| Social security costs                | 227             | 184             |
|                                      | <u>4,153</u>    | <u>3,162</u>    |
| Amounts recharged by related parties | 2,057           | 2,708           |
| Other differences                    | -               | (109)           |
|                                      | <u>6,210</u>    | <u>5,761</u>    |

The average number of persons employed by the Company during the year amounted to 155 (2020: 174).

|                | 2021<br>No. | 2020<br>No. |
|----------------|-------------|-------------|
| Administration | 31          | 32          |
| Operations     | 124         | 142         |
|                | <u>155</u>  | <u>174</u>  |

Directors' remuneration is disclosed in Note 23.

**22. INCOME TAX EXPENSE/(CREDIT)**

|                                         | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| Current tax expense                     | 2,780           | 148             |
| Deferred tax expense/(credit) (Note 14) | 4,653           | (5,260)         |
|                                         | <u>7,433</u>    | <u>(5,112)</u>  |



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2021****NOTES TO THE FINANCIAL STATEMENTS - continued****22. INCOME TAX EXPENSE – continued**

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

|                  | 2021                     |                          |                          |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | Before<br>tax<br>EUR'000 | Tax<br>credit<br>EUR'000 | Net of<br>tax<br>EUR'000 |
| Cash flow hedges | 680                      | (238)                    | 442                      |

|                  | 2020                     |                          |                          |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | Before<br>tax<br>EUR'000 | Tax<br>credit<br>EUR'000 | Net of<br>tax<br>EUR'000 |
| Cash flow hedges | 2,537                    | (888)                    | 1,649                    |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

|                                          | 2021<br>EUR'000 | 2020<br>EUR'000 |
|------------------------------------------|-----------------|-----------------|
| Profit/(loss) before tax                 | 20,614          | (14,825)        |
| Tax on profit/(loss) at 35%              | 7,215           | (5,189)         |
| Tax effect of:                           |                 |                 |
| Income taxed at other tax rates          | (138)           | (265)           |
| Expenses not deductible for tax purposes | 266             | 243             |
| Other differences                        | 90              | 99              |
| Income tax expense/(credit)              | 7,433           | (5,112)         |

**23. DIRECTORS' EMOLUMENTS**

|                               | 2021<br>EUR'000 | 2020<br>EUR'000 |
|-------------------------------|-----------------|-----------------|
| Salaries and other emoluments | 51              | 47              |

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 24. CASH FROM OPERATIONS

Reconciliation of profit before tax to cash from operations:

|                                                         | 2021<br>EUR'000 | 2020<br>EUR'000 |
|---------------------------------------------------------|-----------------|-----------------|
| Profit/(loss) before tax                                | 20,614          | (14,825)        |
| <i>Adjustments for:</i>                                 |                 |                 |
| Depreciation on property, plant and equipment (Note 6)  | 4,682           | 2,938           |
| Depreciation on ROU assets (Note 17)                    | 262             | 365             |
| Provision for impairment of trade and other receivables | 5,792           | 2,245           |
| Loss on disposal                                        | -               | 29              |
| Finance costs                                           | 1,490           | 980             |
| <i>Change in working capital:</i>                       |                 |                 |
| Inventories                                             | 747             | (7,070)         |
| Trade and other receivables                             | (19,483)        | 6,338           |
| Trade and other payables                                | 4,355           | 5,156           |
| <b>Cash from operations</b>                             | <b>18,459</b>   | <b>(3,844)</b>  |

## 25. COMMITMENTS

**Capital commitments**

At the year end, the Company had capital commitments in respect of property, plant and equipment which were contracted but not yet incurred amounting to EUR17.3 million (2020: EUR23.9 million).

## 26. CONTINGENCIES

**Guarantees**

As at 31 December 2021, letters of credit amounting to EUR4.1 million (2020: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

## 27. RELATED PARTY TRANSACTIONS

The Company's immediate parent is Petromal (Holdings) Company Limited which is a Company registered in Malta with registration number C65288 and registered LAP121, Luqa Aviation Park, Aviation Avenue, Luqa, Malta. The results of the Company are consolidated with the results of Petromal Company Limited. The Company is ultimately owned and controlled by the Government of Malta. Therefore, the Company considers that, for the purpose of IAS 24 (revised), the Government and Government-related entities are related parties for the purpose of the disclosures required by IAS 24.

**NOTES TO THE FINANCIAL STATEMENTS – continued****27. RELATED PARTY TRANSACTIONS - continued**

The compensation payable to key management personnel amounted to EUR316,178 (2020: EUR316,178).

During the year, the Company had the following transactions with Government and Government-related entities:

|                         | <b>2021</b><br><b>EUR'000</b> | <b>2020</b><br><b>EUR'000</b> |
|-------------------------|-------------------------------|-------------------------------|
| Revenue                 | <b>11,090</b>                 | 18,631                        |
| Cost of sales           | <b>(92,635)</b>               | (96,859)                      |
| Administrative expenses | <b>(2,284)</b>                | (2,890)                       |
| Dividends               | <b>1,632</b>                  | 1,203                         |

Notes 10 and 15 include details of trade receivables and trade payables held with related parties. As disclosed in note 26, letters of credit amounting to EUR4.1 million (2020: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

**NOTES TO THE FINANCIAL STATEMENTS – continued****28. SUBSEQUENT EVENTS***i. Geopolitical events and their impact on fuel prices and operations of the Company*

In early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. The Company managed to partially offset the price volatility and surging costs through its hedging arrangements for certain fuels. These measures provided a level of financial stability amid the market turbulence. However, due to the extreme volatility, it was challenging to hedge certain other fuels at the desired price levels. Consequently, these fuels remained exposed to the market's instability, impacting the Company's cost structures and financial results. This cost escalation would have led the Company to increase its fuel selling prices to ensure the continuity of its operations in a feasible and economically viable manner.

To shield the Maltese industry and the general public from a drastic rise in the price of fuel, the Government of Malta ('Government') opted to subsidise the energy utilities, which also covers the motor fuels traded by the Company through a Government Grant. Such Grant absorbs the additional rise in fuel costs, thereby safeguarding the Company's operational sustainability. The government has opted for this mechanism which has been designed to counterbalance the surge in fuel costs without passing the burden onto the industry and the general public, by ensuring that the market fuel prices remained at the same levels. The government grant is regarded as an important consideration in the Company's assessment as a going concern as noted in note 2.1 to these financial statements, as in the absence of increase in fuel selling prices, the financial support provided by the government significantly contributes to the Company's ability to continue its operations in the normal course of business.

During 2022, the Company received EUR111million in Government Grant for the purpose of retaining adequate liquidity, out of which, EUR67.8million were taken to profit or loss during 2022 based on the grant mechanism explained above.

In the November 2022 budget speech, the government reaffirmed its commitment to supporting the energy sector through the continuation of subsidies covering energy utilities during 2023, which also cover the motor fuels traded by the Company. Consequently, during 2023 the Company continued to be in receipt of Government Grants which amounted to EUR64.5 million. Similarly, in November 2023, the government announced that it will continue to subsidise the energy sector into 2024 with the aim of shielding the Maltese market from an increase in fuel prices.

*ii. Financing*

On 3 May 2022, the Company secured a new facility with a local credit institution amounting to EUR50million, with EUR25million secured against diesel or hydro treated vegetable oil stock and another EUR25million covered by an alternative security (being a government guarantee).

Company Registration No. C 66404

**ENEMED CO. LTD.**

**Annual Report and Financial Statements**

**31 December 2022**



**ENEMED CO. LTD.**  
**For the year ended 31 December 2022**

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## **ENEMED CO. LTD.**

### **Annual report and financial statements for the year ended 31 December 2022**

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#### **GENERAL INFORMATION**

##### **Registration**

Enemed Co. Ltd. ("the Company") is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 66404. The Company was incorporated on 19 August 2014.

##### **Directors**

Mr. Kevin Chircop (Chairman)  
Mr. Francis Cassar  
Ms. Nikita Zammit Alamango  
Ms. Alison Zerafa Civelli (resigned on 20 July 2022)  
Ms. Sarah Camilleri  
Ms. Stephanie Pace Hili  
Mr. Jeffrey James Camilleri  
Mr. Emanuel Vassallo (appointed on 20 July 2022)

##### **Company secretary**

Mr. Ishmael Psaila (appointed on 7 October 2021 & resigned on 18 May 2023)  
Emanuel N/A Noel Bezzina (appointed on 18 May 2023)

##### **Registered office**

National Distribution Centre,  
Triq il-Mina tal-Hazna tal-Fjuwil,  
Has-Saptan, Ghaxaq GXQ1260  
Malta

##### **Auditor**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
Malta



## **ENEMED CO. LTD.**

### **Annual report and financial statements for the year ended 31 December 2022**

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#### **Directors' Report**

The directors present their annual report and the audited financial statements of Enemed Co. Ltd. ("the Company") for the year ended 31 December 2022.

#### **Principal activities**

The principal activity of the Company is the importation and distribution of petroleum products and the renting of fuel storage facilities to third parties.

#### **Performance review and future developments**

During the year under review, notwithstanding an improvement in results when compared to previous years, the Company was still recovering from the impact of the COVID-19 pandemic. During the year under review, the onset of the war in Ukraine created unrest and volatility in the market which had a significant impact on the energy sector. In view of the market instability, the forward prices for Diesel did not reach the level necessary to sustain the retail price in the local market, and thus secure hedging agreements for 2022. The market situation required an increase in prices at the pump to ensure that the Company does not sustain any losses which could jeopardize its sustainability. To shield the Maltese industry and the general public from this rise in the price of fuel, the Government of Malta ('Government') opted to subsidise the energy utilities, including motor fuels through a Government Grant (the 'Grant'). The Company was chosen as a vehicle to distribute the Subsidy to the industry and general public. Therefore, the Company did not increase its diesel prices during 2022, however still managed to earn its normal margins through the Grant. During 2022, the Company received EUR111 million through the Grant. Of the EUR111 million received, EUR67.8 million were taken to revenue (refer to note 25 to these financial statements).

To ensure management focus to achieve the strategic objectives set out by the Board of Directors, six pillars have been identified at the beginning of the year, and this report will state the achievements with respect to each pillar.

The key results achieved in each respective pillar are reported below.

#### **Financial review**

The statement of profit or loss of the Company is set out on page 12. During the year under review, the Company reported revenue of EUR487.4 million (incl. EUR67.8 million of Government Grant) (2021: EUR276.4 million). During the same year, the Company has generated a profit before tax of EUR26.2 million (2021: EUR20.6 million). Landside sales reported a 28% and an 8% increase in sales for diesel and petrol respectively when compared to 2021 performance. Aviation Sales reached 84% of the annualised volume of 2019. Total overheads were EUR1.5 million more than budget mainly due to the fact that the Company had to keep the Birzebbugia facility to store extra inventory of diesel as security of supply as requested by the Government. Administrative expenses and distribution costs were also higher than budgeted reflecting the increased variance in sales of fuels.

#### **Quality**

The Quality Department introduced random sampling as part of their daily quality checks capturing 95% of the population with 90% confidence. This continues to strengthen the quality consistency of our products on the market. From a regulatory viewpoint, the Company successfully passed the COMAH audits with no major findings and the JIG inspection at the airport facilities. In addition, in October, the company successfully obtained the ISO14001:2015 certification. Considering that Enemed operates in the fuel industry, being awarded a certification related to the environment shows the commitment of the Company has towards reducing its impact on the surroundings.



**Directors' Report – continued**

**Innovation**

The IT department developed an app whereby Franchise Customers are now ordering their fuel requests from their mobile hence improving the planning phase of the distribution operation. The same department also introduced the IT ticketing system thus ensuring the no IT requests for help are left unheeded. An automated Visitor Management System was developed and implemented in house. This further improved the security and safety of all external visitors allowed entry in the company premises. Furthermore, the near miss app and fuel station ordering mobile app were launched in 2022.

In terms of technology, the company signed a service level agreement (SLA) with Honeywell Europe hence ensuring that the required support for continuous improvement in the operations software is maintained. The SLA also stipulates that training over the period of 3 years is performed to the local team with the eventual intent of having inhouse expertise to run the operations.

**Team**

In relation to training, the company achieved 70% of what was planned. Also, the Company conducted for the first time an Employee Engagement Survey, the outcome of which showed that the majority of employees are proud to be working for Enemed and their level of engagement is significant. The Company also engaged PWC to conduct a Job Description Evaluation exercise. Using the STRATA method, PWC evaluated the requirements of the job and the relative salary the same job should ideally be paid.

**Operational Excellence**

In 2022, the company sourced a maintenance software that enables not only the planning phase for maintenance but also providing a detailed list of all required components and tools required to do the job. All road-tankers used in the Inland Fuel Division were assembled with a ground level sampling system which enabled easy access to the drivers to draw samples of fuel for quality checks. The inland division conducted 8,370 trips in 2022 averaging 32 trips per day. The aviation division made 24,057 uplifts to various airlines or approximately serving 65 airplanes per day.

**Customer**

In 2022, another one-day seminar and refresher training for all franchisees was conducted ensuring that all franchised stations maintain and are kept abreast with our company's standards. In addition, the full version of the Fuel Ordering Application was launched to all 21 franchised stations across Malta. The customer satisfaction survey showed an improvement in all areas of assessment and within the Aviation division, Enemed passed all 3 client audits two of which made by important customers such as Ryanair and Emirates.

**Dividends**

During the year, the Company declared and settled a dividend amounting of EUR1.3 million (2021: EUR1.6 million) to its shareholders. No further dividends are recommended.

**Directors**

The directors who served until the date of authorization of these financial statements were as listed on page 2. In accordance with the Company's Memorandum and Articles of Association, the present directors are to remain in office.

## **ENEMED CO. LTD.**

### **Annual report and financial statements for the year ended 31 December 2022**

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#### **Directors' Report – continued**

##### **Risk management**

The Company's risk management policies are disclosed in Note 4 of the financial statements.

##### **Subsequent events**

###### *Geopolitical events and their impact on fuel prices and operations of the Company*

As disclosed in Note 2.1 to these financial statements, the Company has been in receipt of Government Grants throughout 2023, calculated on the Grant mechanism explained in Note 25. Due to persisting price instability within the energy sector throughout 2023, in the November 2023 budget speech, the government reaffirmed its commitment to supporting the energy sector through subsidising energy utilities during 2024, which also covers the motor fuels traded by the Company, with the aim of shielding the Maltese market from an increase in fuel prices.

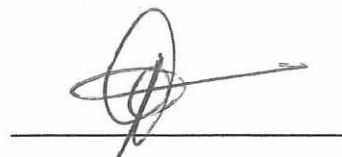
##### **Auditors**

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on its behalf on 26 February 2024 by:



**MR. K. CHIRCOP**  
Executive Chairman



**MR. J. CAMILLERI**  
Director

**Statement of Directors' Responsibilities**

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Enemed Co. Ltd.

### Report on the audit of the audit of the financial statements

#### Opinion

We have audited the financial statements of Enemed Co. Ltd (the "Company"), set on pages 10 to 60, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

#### 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 Code of Ethics for Professional Accountants (including International Independence Standards)* as issued by the *International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to Note 30 to the financial statements, which describes relevant events that occurred subsequent to the reporting date, mainly relating to government grants received in 2023 and government grants reaffirmed for 2024 in relation to the continued geopolitical events and their impact on fuel prices. Our opinion is not modified in respect of this matter.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Enemed Co. Ltd. - continued

### Report on the audit of the audit of the financial statement - continued

#### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation





Building a better  
working world

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Enemed Co. Ltd. – continued

### **Report on the audit of the audit of the financial statement – continued**

#### **Auditor's responsibilities for the audit of the financial statements - continued**

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

#### **Report on other legal and regulatory requirements**

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

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

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

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records
- we have not received all the information and explanations we require for our audit.

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

*The partner in charge of the audit resulting in this independent auditor's report is*  
Shawn Falzon for and on behalf of

Ernst & Young Malta Limited  
Certified Public Accountants

26 February 2024

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF FINANCIAL POSITION****As at 31 December 2022**

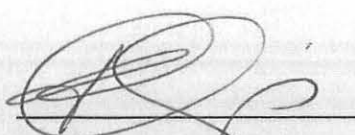
|                                  | Notes | 2022<br>EUR'000 | 2021<br>EUR'000 |
|----------------------------------|-------|-----------------|-----------------|
| <b>ASSETS</b>                    |       |                 |                 |
| <b>Non-current assets</b>        |       |                 |                 |
| Property, plant and equipment    | 6     | 111,871         | 112,754         |
| Goodwill                         | 7     | 33,300          | 34,500          |
| Right-of-use assets              | 17    | 11,421          | 11,630          |
| Deferred tax asset               | 14    | -               | 605             |
| Total non-current assets         |       | 156,592         | 159,489         |
| <b>Current assets</b>            |       |                 |                 |
| Inventories                      | 9     | 77,667          | 32,973          |
| Trade and other receivables      | 10    | 44,385          | 54,664          |
| Derivative financial instruments | 8     | -               | 2,469           |
| Cash and cash equivalents        | 11    | 38,331          | 1,658           |
| Total current assets             |       | 160,383         | 91,764          |
| <b>Total assets</b>              |       | 316,975         | 251,253         |

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF FINANCIAL POSITION - continued**  
**As at 31 December 2022**

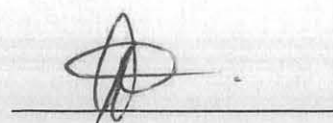
|                                       | Notes | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------|-------|-----------------|-----------------|
| <b>EQUITY AND LIABILITIES</b>         |       |                 |                 |
| <b>Equity</b>                         |       |                 |                 |
| Issued capital                        | 12    | 62,250          | 62,250          |
| Retained earnings                     |       | 34,278          | 19,133          |
|                                       |       | <b>96,528</b>   | 81,383          |
| Hedging reserve                       | 13    | (900)           | 442             |
|                                       |       | <b>95,628</b>   | 81,825          |
| <b>Non-current liabilities</b>        |       |                 |                 |
| Interest-bearing loans and borrowings | 16    | 39,233          | 43,813          |
| Lease liabilities                     | 17    | 12,411          | 12,379          |
| Deferred tax liability                | 14    | 2,385           | -               |
| Total non-current liabilities         |       | <b>54,029</b>   | 56,192          |
| <b>Current liabilities</b>            |       |                 |                 |
| Trade and other payables              | 15    | 83,541          | 70,481          |
| Interest-bearing loans and borrowings | 16    | 33,049          | 38,742          |
| Government Grant                      | 25    | 43,176          | -               |
| Derivative financial instruments      | 8     | 1,490           | 1,577           |
| Tax payable                           |       | 6,062           | 2,436           |
| Total current liabilities             |       | <b>167,318</b>  | 113,236         |
| Total liabilities                     |       | <b>221,347</b>  | 169,428         |
| <b>Total equity and liabilities</b>   |       | <b>316,975</b>  | 251,253         |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

*The financial statements on pages 10 to 60 were authorised for issue by the Board of Directors on 26 February 2024 and were signed on its behalf by:*



**MR. K. CHIRCOP**  
Executive Chairman



**MR. J. CAMILLERI**  
Director



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF PROFIT OR LOSS**  
**For the year ended 31 December 2022**

|                                                   | Notes | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------------|-------|-----------------|-----------------|
| Revenue                                           | 18    | 487,365         | 276,415         |
| Cost of sales                                     | 20    | (446,783)       | (233,556)       |
| <b>Gross profit</b>                               |       | <b>40,582</b>   | <b>42,859</b>   |
| Other operating income                            | 19    | 417             | 1,694           |
| Administrative, selling and distribution expenses | 20    | (14,319)        | (23,370)        |
| Difference on exchange                            |       | 991             | 921             |
| Finance costs                                     | 21    | (1,472)         | (1,490)         |
| <b>Profit before tax</b>                          |       | <b>26,199</b>   | <b>20,614</b>   |
| Income tax (charge)                               | 23    | (9,754)         | (7,433)         |
| <b>Profit for the year</b>                        |       | <b>16,445</b>   | <b>13,181</b>   |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**

|                                                                                                       | Note | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-------------------------------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Comprehensive income/(loss)</b>                                                                    |      |                 |                 |
| Profit for the year                                                                                   |      | 16,445          | 13,181          |
| <b>Other comprehensive income/(loss)</b>                                                              |      |                 |                 |
| <i>Other comprehensive income/(loss) to be reclassified to<br/>profit or loss in subsequent years</i> |      |                 |                 |
| Cash flow hedges, net of deferred tax                                                                 | 13   | (1,342)         | (1,207)         |
| Comprehensive loss                                                                                    |      | (1,342)         | (1,207)         |
| <b>Total comprehensive income for the year</b>                                                        |      | <b>15,103</b>   | <b>11,974</b>   |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2022**

|                                    | Notes | Issued<br>capital<br>EUR'000 | Hedging<br>reserve<br>EUR'000 | Retained<br>earnings<br>EUR'000 | Total<br>EUR'000 |
|------------------------------------|-------|------------------------------|-------------------------------|---------------------------------|------------------|
| Balance as at 1 January 2022       | 12    | 62,250                       | 442                           | 19,133                          | 81,825           |
| Profit for the year                |       | -                            | -                             | 16,445                          | 16,445           |
| Other comprehensive loss           | 13    | -                            | (1,342)                       | -                               | (1,342)          |
| Total comprehensive income/(loss)  |       | -                            | (1,342)                       | 16,445                          | 15,103           |
| Dividends                          | 12    | -                            | -                             | (1,300)                         | (1,300)          |
| <b>Balance at 31 December 2022</b> |       | <b>62,250</b>                | <b>(900)</b>                  | <b>34,278</b>                   | <b>95,628</b>    |
| Balance as at 1 January 2021       | 12    | 62,250                       | 1,649                         | 7,584                           | 71,483           |
| Profit for the year                |       | -                            | -                             | 13,181                          | 13,181           |
| Other comprehensive loss           | 13    | -                            | (1,207)                       | -                               | (1,207)          |
| Total comprehensive loss           |       | -                            | (1,207)                       | 13,181                          | 11,974           |
| Dividends                          | 12    | -                            | -                             | (1,632)                         | (1,632)          |
| <b>Balance at 31 December 2021</b> |       | <b>62,250</b>                | <b>442</b>                    | <b>19,133</b>                   | <b>81,825</b>    |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2022**

|                                                                      | Notes | 2022<br>EUR'000 | 2021<br>EUR'000 |
|----------------------------------------------------------------------|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                          |       |                 |                 |
| Cash generated from/(used in) operations                             | 26    | 57,722          | 18,459          |
| Tax paid                                                             |       | (2,417)         | 1,627           |
| <b>Net cash generated from/(used in) operating activities</b>        |       | <b>55,305</b>   | <b>20,086</b>   |
| <b>Cash flows from investing activities</b>                          |       |                 |                 |
| Purchase of property, plant and equipment<br>and investment property |       | (5,619)         | (18,891)        |
| <b>Net cash used in investing activities</b>                         |       | <b>(5,619)</b>  | <b>(18,891)</b> |
| <b>Cash flows from financing activities</b>                          |       |                 |                 |
| Repayment of bank borrowings                                         |       | -               | (3,968)         |
| Drawdown of bank borrowings                                          |       | (4,490)         | 911             |
| Payment of principal portion of lease liabilities                    |       | (339)           | (332)           |
| Dividend paid                                                        |       | (1,300)         | (1,632)         |
| Interest paid                                                        |       | (1,101)         | (1,417)         |
| <b>Net cash (used in)/generated from financing activities</b>        |       | <b>(7,230)</b>  | <b>(6,438)</b>  |
| <b>Net movement in cash and cash equivalents</b>                     |       | <b>42,456</b>   | <b>(5,243)</b>  |
| <b>Cash and cash equivalents at beginning of year</b>                |       | <b>(32,434)</b> | <b>(27,191)</b> |
| <b>Cash and cash equivalents at end of year</b>                      | 11    | <b>10,022</b>   | <b>(32,434)</b> |

*The accounting policies and explanatory notes on pages 16 to 60 form an integral part of the financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Enemed Co. Ltd. ("the Company") is registered in Malta as a limited liability Company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's principal activity is the importation and distribution of petroleum products and the renting of fuel storage facilities to third parties. The Company was incorporated on 19 August 2014 and holds a registration number of C 66404.

**2. BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and with the Companies Act, Cap. 386 of the Laws of Malta.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Euro ("EUR") which is the Company's functional and presentation currency. Unless otherwise stated, all financial information presented has been rounded to the nearest thousand ("EUR'000").

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 5 to these financial statements.

**2.1 Going Concern***Operations*

During the year ended 31 December 2022, the Company reported revenue of EUR487.4million (2021: EUR276.4million) and generated a profit before tax of EUR26.2million (2021: EUR20.6million). The increase in the Company's revenue is directly related to the significant rise in fuel costs as a consequence of the volatility and price instability caused by the Russia Ukraine conflict as further described below.

*Financial Position*

As at 31 December 2022, the Company's current liabilities exceeded its current assets by EUR6.9million (2021: EUR21.5million) whereas the Company's total assets exceeded its total liabilities by EUR95.6million (2021: EUR81.8million). Despite the current liability position, the Company generate sufficient cash flows from operations within a financial year which provides the necessary liquidity to settle its short-term obligations. Moreover, a portion of the Company's trade and other payables balance are with related parties, with which repayment terms can be managed if the need arises.

As outlined below, management has prepared a cashflow forecast for the Company to assess the sustainability of its operations over the foreseeable future considering a going concern assessment period covering up to 31 December 2024.

*Liquidity*

As at reporting date, the Company had aggregate banking facilities of EUR96.5million (2021: EUR85.2million) of which EUR24.2million (2021: EUR2.6million) were undrawn banking facilities.

As explained in note 16 to these financial statements, the Company has contractual loan covenants, which require maintaining a minimum Debt Service Coverage Ratio ("DSCR") or for the Company to demonstrate its ability to generate sufficient cash to service its debt obligations.

During the current year, the Company has secured an overdraft facility amounting to EUR50million, for the purpose of providing the Company with immediate access to funds to manage short-term cash flow needs or unexpected increase in costs.

**NOTES TO THE FINANCIAL STATEMENTS – continued****2. BASIS OF PREPARATION – continued****2.1 Going Concern – continued***Geopolitical events and their impact on fuel prices and operations of the Company*

In early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. The Company managed to partially offset the price volatility and surging costs through its hedging arrangements for certain fuels. These measures provided a level of financial stability amid the market turbulence. However, due to the extreme volatility, it was challenging to hedge certain other fuels at the desired price levels. Consequently, these fuels remained exposed to the market's instability, impacting the Company's cost structures and financial results. This cost escalation would have led the Company to increase its fuel selling prices to ensure the continuity of its operations in a feasible and economically viable manner.

To shield the Maltese industry and the general public from a drastic rise in the price of fuel, the Government of Malta ('Government') opted to subsidise the energy utilities, which also covers the motor fuels traded by the Company through a Government Grant. Such Grant absorbs the additional rise in fuel costs, thereby safeguarding the Company's operational sustainability. The Government has opted for this mechanism which has been designed to counterbalance the surge in fuel costs without passing the burden onto the industry and the general public, by ensuring that the market fuel prices remained at the same levels.

During 2022, the Company received EUR111million in Government Grant for the purpose of retaining adequate liquidity, out of which, EUR67.8million were taken to profit or loss during 2022 based on the grant mechanism explained above.

In the November 2022 budget speech, the government reaffirmed its commitment to supporting the energy sector through the continuation of subsidies covering energy utilities during 2023, which also cover the motor fuels traded by the Company. Consequently, during 2023 the Company continued to be in receipt of Government Grants which amounted to EUR64.5 million. Similarly, in November 2023, the government announced that it will continue to subsidise the energy sector into 2024 with the aim of shielding the Maltese market from an increase in fuel prices.

*Cashflow forecast*

Management has prepared a cashflow forecast for the period ending 31 December 2024, considering significant events and transactions that have occurred or are expected to occur subsequent to year end, taking into account actual results to date and projected activities, including forecasted revenue and expenditure, up to 31 December 2024.

The cashflow forecast prepared by management takes into consideration the expected sales volumes and the continuation of the Government Grant explained above, together with other working capital considerations.

Management has also considered other scenarios, and under the scenarios tested, the Company is expected to continue to have sufficient liquidity relative to the facilities available to it.

Accordingly, based on information available at the time of approving these financial statements, the Directors have reasonable expectation that the Company will meet all its obligations as and when they fall due over the assessment period and therefore, that the going concern basis adopted for the preparation of these financial statements remains appropriate.



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Standards, interpretations and amendments to published standards as endorsed by the European Union effective in the current year**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)

The adoption of these amendments did not have significant impact on the financial statements or performance of the Company.

**3.2 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023) (effective immediately for financial year beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for financial year beginning on or after 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements:
  - o Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
  - o Classification of Liabilities as Current or Non-current – Deferral of effective date (issued on 15 July 2020);
  - o Non-current liabilities with covenants (issued on 31 October 2022) (effective for financial year beginning on or after 1 January 2024)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements or performance of the Company. The Company has not early adopted any standard, interpretation or amendment that have been issued but is not yet effective.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.3 Standards, interpretations and amendments that are not yet endorsed by the EU**

These are as follows:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statements of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

The Company is still assessing the impact that these new standards will have on the financial statements.

**3.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (EUR), which is the Company's functional and presentation currency.

*(b) Transactions and balances*

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

The Company enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions. Further information is disclosed in Note 3.11 Derivative financial instruments and hedge accounting.

All foreign exchange gains and losses are presented in the statement of profit or loss within cost of sales and specific line items within operating results.



**NOTES TO THE FINANCIAL STATEMENTS - continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.5 Property, plant and equipment**

Property, plant and equipment comprising buildings and infrastructural improvements, plant, equipment, furniture and fittings are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes the purchase price and any directly attributable cost of preparing the asset for its intended use.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The rates of depreciation per annum used for the period are as follows:

|                        | %       |
|------------------------|---------|
| Leasehold buildings    | 1.5 - 3 |
| Plant and Machinery    | 2 - 20  |
| Motor Vehicles         | 10      |
| Furniture and Fittings | 10 - 25 |

Depreciation is charged on a monthly basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are recognised within 'other operating income/expenditure' in the statement of profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Property, plant and equipment are derecognised either when they have been disposed of or permanently withdrawn from use or no future economic benefit is expected from their disposal.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.6 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the profit and loss in the period in which they are incurred.

**3.7 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over 50 years to 63 years, being the shorter of the lease term and the estimated useful lives of the leased assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Note 3.14 Impairment of non-financial assets.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.7 Leases - continued**

*ii) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**NOTES TO THE FINANCIAL STATEMENTS – continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.8 Issued capital and dividends**

Ordinary shares are classified as equity. Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the year in which the dividends are approved by the shareholders.

**3.9 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.10 Fair value measurement**

The Company measures financial instruments such as derivatives, and non-financial assets at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.



**NOTES TO THE FINANCIAL STATEMENTS - continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****3.11 Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, including forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. Fair values of commodity swaps are mainly based on dealer quotes obtained at the reporting date from the Company's counterparties. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

*(a) Fair value hedges*

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.11 Derivative financial instruments and hedge accounting - continued**

*(b) Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

*(c) Hedges of a net investment*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The fair value of derivative instruments used for hedging purposes are disclosed in Note 8 Derivative financial instruments. Movements in the hedging reserve in equity are shown in Note 13 Hedging reserve.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.12 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in Note 3.19 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortised cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- iv. Financial assets at fair value through profit or loss



**NOTES TO THE FINANCIAL STATEMENTS – continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**3.12 Financial instruments – continued**

**i. Financial assets – continued**

*Subsequent measurement - continued*

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

**Financial assets at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.12 Financial instruments - continued**

i. Financial assets – continued

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement.

ii. Financial Liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.12 Financial instruments - continued**

ii. Financial Liabilities – continued

*Subsequent measurement – continued*

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3.13 Impairment of financial assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

**NOTES TO THE FINANCIAL STATEMENTS - continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****3.13 Impairment of financial assets - continued**

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

**3.14 Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.14 Impairment of non-financial assets – continued**

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**3.15 Inventories**

Inventories are stated at the lower of cost and net realisable value and include transport and handling costs.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis,
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**3.16 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value and comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

In the statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**3.17 Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. When such guarantees mirror the obligations under the debt instrument the company determines that the fair value of such guarantees is equal to the obligations under the debt instrument and no additional liability is recognised.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**3.18 Current and deferred income tax**

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax is charged or credited to profit or loss. Current income tax relating to items realized directly in equity is realized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods.

ii. Deferred income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are realized for all taxable temporary differences and deferred tax assets are realized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be realized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS - continued****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****3.19 Revenue from contracts with customers**

Revenue include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Revenue is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Company recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income generated from the sale of fuel products. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the fuel products.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

**3.20 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.21 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

## 4.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's board of directors provides principles for overall risk management, as well as policies covering risks referred to above (and specific areas such as investment of excess liquidity). The general hedging guidelines regarding currency and fuel price risks are set by the Risk Management Committee. This Committee, together with the Finance Department, is responsible for the implementation of the hedging policies. In order to manage exposures to risks arising from fluctuations in currency exchange rates and fluctuations in prices on the fuel products, the Company makes use of derivative financial instruments. These instruments mainly comprise foreign currency forward contracts together with fuel hedging instruments. The respective derivative transactions are concluded only with first rate counterparties.

*(a) Market risk**(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. The Company is exposed to foreign exchange arising from various currency exposures, primarily with respect to the US Dollar. The Company is in a net payer position from its operating business particularly in view of a significant portion of purchases of fuel denominated in this currency.

The Company's recognised risk exposures mainly reflecting the carrying amount of receivables and payables denominated in USD at the end of the reporting periods were as follows (amounts are in EUR equivalent):

|                                                | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| Trade receivables                              | 13,075          | 39,278          |
| Trade payables                                 | (21,716)        | (29,317)        |
| Gross statement of financial position exposure | (8,641)         | 9,961           |
| Available funds in foreign currency            | 35,184          | 999             |
| Net exposure before hedging activity           | 26,543          | 10,960          |
| Notional value of hedging derivatives          | (1,490)         | 892             |
| Net exposure after hedging activity            | 25,053          | 11,852          |

The above risks are, particularly in respect of exposures to US Dollar, furthermore, mitigated through the short period of time within which the payables are generally settled after the end of the reporting period. If as at 31 December 2022, and up to the date of settlement of these balances, the US Dollar had weakened or strengthened against the euro by 5% with all other variables held constant, profit or loss would have been EUR0.04 million (2021: EUR0.05 million) higher or lower.

*(ii) Interest rate risk*

As at 31 December 2022, the Company does not have any financial instruments subject to variable interest rate except for loans and borrowings (including overdrafts). The effect of a change in interest rate on these balances is not considered to be material.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. FINANCIAL RISK MANAGEMENT - continued

## 4.1 Financial risk factors - continued

## (iii) Price risk

In early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. The Company managed to partially offset the price volatility and surging costs through its hedging arrangements for certain fuels. These measures provided a level of financial stability amid the market turbulence. However, due to the extreme volatility, it was challenging to hedge certain other fuels at the desired price levels. Consequently, these fuels remained exposed to the market's instability, impacting the Company's cost structures and financial results.

During the financial year ended 31 December 2022, fuel expenses amounted to EUR348.8 million (2021: EUR137.5 million) as disclosed in Note 19 to the financial statements and accounted for approximately 75.6% (2021: 53.5%) of the total operating expenses of the Company. Fluctuations in fuel and other fuel product prices may have a significant effect on the Company's results. Different hedging instruments with regard to fuel products markets are used to limit the fuel price risk. During the year ended 31 December 2022, these instruments comprised of commodity swaps and forward currency contracts. As at 31 December 2022, the notional amounts of the hedging derivatives outstanding are disclosed in Note 8 Derivative financial instruments.

Commodity swaps are contractual arrangements under which the Company and counterparty agree to swap the notional quantity of a commodity at a predetermined price during a set period of time. Such contracts are typically settled on a net basis by comparing the contracted swap price to the reference market price applicable during the set period; settlements are affected by either party, usually on a monthly basis, for an amount equivalent to this difference multiplied by the notional quantity of the commodity.

As at 31 December 2022, the Company did not hold any outstanding derivatives hedging fuel requirements for 2023.

## (b) Credit risk

Credit risk principally arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

|                                                | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------------------|-----------------|-----------------|
| <b>Loans and receivables category:</b>         |                 |                 |
| Trade and other receivables (Note 10)          | 42,840          | 54,484          |
| Cash and cash equivalents (Note 11)            | 38,331          | 1,658           |
|                                                | <b>81,171</b>   | <b>56,142</b>   |
| <b>Financial instruments held for hedging:</b> |                 |                 |
| Derivative financial instruments (Note 8)      | -               | 2,469           |

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned in Note 3.12 is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company has no significant past due or impaired financial assets with the exception of the amounts disclosed below in respect of trade and other receivables. The Company does not have any significant renegotiated financial asset which would otherwise be past due or impaired and holds no collateral in respect of exposures relating to trade and other receivables.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 4. FINANCIAL RISK MANAGEMENT - continued

## 4.1 Financial risk factors – continued

*(b) Credit risk - continued**Exposure to credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

**Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Significant concentrations of credit risk are considered to be individual accounts receivable balances representing more than 5% of total trade and other receivable balances. At the reporting date, there was an amount receivable from a related entity amounting to EUR1.5 million (2021: EUR18.5 million).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. However, the Company's policy is generally to provide for any receivable balance that is outstanding for over one year. Actions taken to mitigate the risk of default typically include formally notifying the clients through set policies and the suspension of fuel supply in certain cases. The credit quality of the Company's trade and other receivables which are not impaired or past due reflects the nature of these assets which are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

The Company's receivables include significant amounts due from related parties that are owned, controlled, or form part of the Government of Malta. The Company's credit control function monitors related party exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Company liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors and management does not expect any losses from non-performance or default.

The ageing of trade receivables and impaired balances at the end of the reporting period was as follows:

|                 | 31 December 2022 |              | 31 December 2021 |               |
|-----------------|------------------|--------------|------------------|---------------|
|                 | Gross            | ECL          | Gross            | ECL           |
|                 | EUR'000          | EUR'000      | EUR'000          | EUR'000       |
| Up to 40 days   | 38,308           | -            | 34,205           | -             |
| Within one year | 6,531            | 2,443        | 30,100           | 10,407        |
|                 | <b>44,839</b>    | <b>2,443</b> | <b>64,305</b>    | <b>10,407</b> |

As at 31 December 2022, trade receivables amounting to EUR3 million (2021: EUR16.5 million) were past due but not impaired. Categorisation of receivables as past due is determined by the Company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. FINANCIAL RISK MANAGEMENT - continued

## 4.1 Financial risk factors - continued

*(b) Credit risk - continued***Trade and other receivables - continued**

The movement in provisions for impairment of trade and other receivables is analysed as follows:

|                                             | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| At the beginning of year                    | 10,407          | 4,615           |
| Increase in impairment provisions (Note 20) | (7,964)         | 5,792           |
| At end of year                              | 2,443           | 10,407          |

**Cash and cash equivalents**

The Company principally banks with financial institutions which have high quality credit standing or rating.

**Derivative financial instruments**

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-a-vis the respective derivative counterparties. Foreign exchange derivative transactions are concluded with first rate local banking institutions only, while fuel derivative contracts are entered into with foreign financial institutions which have high quality credit standing or rating. The Company's main foreign derivative counterparties as at the end of the reporting periods have an external good credit rating as determined by major rating agencies.

*(c) Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with trade and other payables (Note 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations. Management monitors liquidity risk by reviewing expected cash flows and ensures that liquid resources and facilities that are expected to be required over the coming year are in place.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. FINANCIAL RISK MANAGEMENT - continued**

**4.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

The table below presents the cash flows payable by the Company under non-derivative financial liabilities based on the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

|                                              | Carrying<br>amount<br>EUR'000 | Contractual<br>cash flows<br>EUR'000 | Within<br>one year<br>EUR'000 | 1-2<br>years<br>EUR'000 | 2-5<br>years<br>EUR'000 | Over 5<br>years<br>EUR'000 |
|----------------------------------------------|-------------------------------|--------------------------------------|-------------------------------|-------------------------|-------------------------|----------------------------|
| <b>At 31 December 2022</b>                   |                               |                                      |                               |                         |                         |                            |
| Trade and other payables<br>(Note 15)        | 83,541                        | 83,541                               | 83,541                        | -                       | -                       | -                          |
| Bank overdraft (Note 11)                     | 28,309                        | 28,309                               | 28,309                        | -                       | -                       | -                          |
| Bank borrowings (Note 16)                    | 43,973                        | 48,856                               | 5,688                         | 5,582                   | 14,595                  | 22,991                     |
| Lease liabilities (Note 17)                  | 12,411                        | 12,411                               | (33)                          | (23)                    | (53)                    | 12,520                     |
| Derivative financial<br>instruments (Note 8) | 1,490                         | 1,490                                | 1,490                         | -                       | -                       | -                          |
|                                              | <b>169,724</b>                | <b>174,607</b>                       | <b>118,995</b>                | <b>5,559</b>            | <b>14,542</b>           | <b>35,511</b>              |
| <b>At 31 December 2021</b>                   |                               |                                      |                               |                         |                         |                            |
| Trade and other payables<br>(Note 15)        | 70,481                        | 70,481                               | 70,481                        | -                       | -                       | -                          |
| Bank overdraft (Note 11)                     | 34,092                        | 34,092                               | 34,092                        | -                       | -                       | -                          |
| Bank borrowings (Note 16)                    | 48,463                        | 53,352                               | 5,510                         | 5,510                   | 15,982                  | 26,350                     |
| Lease liabilities (Note 17)                  | 12,379                        | 12,379                               | (32)                          | (34)                    | (64)                    | 12,509                     |
| Derivative financial<br>instruments (Note 8) | 1,577                         | 1,577                                | 1,577                         | -                       | -                       | -                          |
|                                              | <b>166,992</b>                | <b>171,881</b>                       | <b>111,628</b>                | <b>5,476</b>            | <b>15,918</b>           | <b>38,859</b>              |

**4.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to the shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 4. FINANCIAL RISK MANAGEMENT - continued

## 4.2 Capital risk management – continued

The gearing ratio as at 31 December 2022 was as follows:

|                                          | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------------|-----------------|-----------------|
| Total borrowings (Note 16)               | 72,282          | 82,555          |
| Cash and cash equivalents (Note 11)      | (38,331)        | (1,658)         |
| Net debt                                 | 33,951          | 80,897          |
| Total equity (excluding hedging reserve) | 96,528          | 81,383          |
| Total capital                            | 130,480         | 162,280         |
| Gearing                                  | 26.0%           | 49.9%           |

The directors are constantly reviewing the adequacy of the capital level in the context of the Company's operational results, changes in the international business environment and expected reported results on the basis of management's budgets and forecasts.

## 4.3 Fair values of financial instruments

*Fair values of instruments not carried at fair value*

At 31 December 2022, the carrying amounts of cash at bank, trade and other receivables, trade and other payables and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

*Fair values estimation in relation to financial instruments carried at fair value*

The Company's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (Note 8).

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**4. FINANCIAL RISK MANAGEMENT - continued**

**4.3 Fair values of financial instruments – continued**

*Fair values estimation in relation to financial instruments carried at fair value – continued*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's derivative financial instruments are classified as level 2. The measurement methods are disclosed in Note 3.10 Fair value measurement.



**NOTES TO THE FINANCIAL STATEMENTS - continued**

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company's directors and management also make judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

Except for the below, in the opinion of the Directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

*Impairment testing*

The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flow projections for the next 24 years and projection of terminal value using the perpetuity method;
- growth rates of 2%; and
- use of 8.2% (pre-tax) (2021: 7.5%) to discount the projected cash flows to net present values.

Based on the above assessment, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

**NOTES TO THE FINANCIAL STATEMENTS - continued**
**6. PROPERTY, PLANT AND EQUIPMENT**

|                                      | Buildings and<br>infrastructural<br>improvements<br>EUR'000 | Plant and<br>machinery<br>EUR'000 | Motor<br>vehicles<br>EUR'000 | Furniture<br>and office<br>equipment<br>EUR'000 | Assets under<br>Construction<br>EUR'000 | Total<br>EUR'000 |
|--------------------------------------|-------------------------------------------------------------|-----------------------------------|------------------------------|-------------------------------------------------|-----------------------------------------|------------------|
| <b>Cost</b>                          |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 1 January 2021                 | 31,405                                                      | 20,012                            | 6,928                        | 1,662                                           | 55,182                                  | 115,189          |
| Additions                            | -                                                           | 916                               | 87                           | 497                                             | 8,660                                   | 10,160           |
| Disposals                            | -                                                           | (32)                              | -                            | (6)                                             | -                                       | (38)             |
| Transfers                            | 11,164                                                      | 52,522                            | -                            | -                                               | (63,686)                                | -                |
| <b>As at 1 January 2022</b>          | <b>42,569</b>                                               | <b>73,418</b>                     | <b>7,015</b>                 | <b>2,153</b>                                    | <b>156</b>                              | <b>125,311</b>   |
| Additions                            | 339                                                         | 4,830                             | 118                          | 371                                             | -                                       | 5,658            |
| <b>As at 31 December 2022</b>        | <b>42,908</b>                                               | <b>78,249</b>                     | <b>7,133</b>                 | <b>2,521</b>                                    | <b>156</b>                              | <b>130,967</b>   |
| <b>Depreciation</b>                  |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 1 January 2021                 | 3,218                                                       | 2,672                             | 1,347                        | 638                                             | -                                       | 7,875            |
| Depreciation charge                  | 703                                                         | 2,945                             | 699                          | 335                                             | -                                       | 4,682            |
| Depreciation released<br>on disposal | -                                                           | -                                 | -                            | -                                               | -                                       | -                |
| <b>As at 1 January 2022</b>          | <b>3,921</b>                                                | <b>5,617</b>                      | <b>2,046</b>                 | <b>973</b>                                      | <b>-</b>                                | <b>12,557</b>    |
| Depreciation charge                  | 811                                                         | 4,704                             | 682                          | 343                                             | -                                       | 6,539            |
| <b>As at 31 December 2022</b>        | <b>4,732</b>                                                | <b>10,320</b>                     | <b>2,728</b>                 | <b>1,316</b>                                    | <b>-</b>                                | <b>19,096</b>    |
| <b>Net Book Value</b>                |                                                             |                                   |                              |                                                 |                                         |                  |
| As at 31 December 2022               | 38,177                                                      | 67,929                            | 4,405                        | 1,205                                           | 156                                     | 111,871          |
| As at 31 December 2021               | 38,648                                                      | 67,801                            | 4,969                        | 1,180                                           | 156                                     | 112,754          |

The charge for depreciation included in the income statement is as follows:

|                         | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-------------------------|-----------------|-----------------|
| Cost of sales           | 615             | 609             |
| Distribution costs      | 5,563           | 3,696           |
| Administration expenses | 361             | 377             |
|                         | <b>6,539</b>    | <b>4,682</b>    |

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 7. GOODWILL

Goodwill recognised by the Company was acquired in a business combination during 2014. Goodwill has an indefinite useful life and is tested for impairment annually.

|                     | EUR'000 |
|---------------------|---------|
| At 1 January 2021   | 34,500  |
| Impairment          | -       |
| At 31 December 2021 | 34,500  |
| At 1 January 2022   | 34,500  |
| Impairment          | (1,200) |
| At 31 December 2022 | 33,300  |

*Impairment testing of goodwill*

Management assesses goodwill for impairment at the end of every reporting period (Note 5.2), considering market variables such as oil prices trend, consumer demand, foreign currency rates and interest rates. The recoverable amount was determined based on estimates of expected future cashflows, based on EBITDA as identified in the 2023 – 2046 business plan approved by the Board of Directors in December 2022. A pre-tax discount rate of 8.2% (2021: 7.5%) has been applied which reflects the specific risks relating to all the market segments in which the Company operates.

Management performed its annual impairment test, considering the relationship between the value in use of the enterprise and its book value, amongst other factors, when reviewing for indicators of impairment. As at 31 December 2023, the value in use of the enterprise was below the book value of its equity, indicating an impairment of goodwill.

*Key assumptions used in value in use calculations*

The calculation of value in use for the enterprise is most sensitive to the following assumptions:

- Projected cashflows
- Discount rates
- Growth rates used to extrapolate cashflows beyond the forecast period.

**Projected cashflows** – Expected future cashflows are based on EBITDA, being a key factor in projecting future cash flows as it represents the operational profitability of the Company. Working capital and capital expenditure are deducted from EBITDA to arrive at free cashflows, which better represent the true amount of cash expected to be generated by the Company after accounting for the cash outflows needed to maintain its operations. In determining the financial projections for the Company covering a 24-year period, management has also considered the time when the demand for petrol and diesel starts to decrease in line with the expected shift away from combustible engines as EU regulations on CO<sub>2</sub> emissions become more stringent.

**Discount rates** – The discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and their operating segments and is derived from their weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the risk-free rate, the equity risk premium and the size premium for the industry. The cost of debt is based on the interest-bearing borrowings that the Company is obliged to service. An increase in the discount rate would result in a further impairment.

**Growth rates used to extrapolate cashflows beyond the forecast period** – Rates are based on publicly available industry data. A reduction in the long-term growth would result in a further impairment.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 7. GOODWILL – continued

*Sensitivity to changes in assumptions*

On the basis of the base case discussed above and current market data available to management, an impairment of goodwill amounting to EUR1.2 million was recognised during the current year (2021: Nil).

Should management's expectations of forecasted EBITDA be reduced by 5%, a further impairment of EUR14.7 million against goodwill would be required. An increase in WACC by 1% would result in an impairment against goodwill of EUR14.7 million.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of Company's derivative financial instruments designated as hedging instruments at the end of the reporting year are as follows:

|                                                 | Fair values       |                        |
|-------------------------------------------------|-------------------|------------------------|
|                                                 | Assets<br>EUR'000 | Liabilities<br>EUR'000 |
| <b>At 31 December 2022</b>                      |                   |                        |
| Foreign exchange derivatives                    |                   |                        |
| - currency forwards                             | -                 | (1,490)                |
| Total derivative financial assets/(liabilities) | -                 | (1,490)                |
| <b>At 31 December 2021</b>                      |                   |                        |
| Foreign exchange derivatives                    |                   |                        |
| - currency forwards                             | 2,469             | -                      |
| Fuel price hedging derivatives                  |                   |                        |
| - commodity swaps                               | -                 | (1,577)                |
| Total derivative financial assets/(liabilities) | 2,469             | (1,577)                |

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 8. DERIVATIVE FINANCIAL INSTRUMENTS - continued

Derivatives are designated as cash flow hedges.

The above are included in the statement of financial position under the following classifications:

|                                         | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| <b>Derivative financial assets</b>      |                 |                 |
| Current                                 | -               | 2,469           |
| <b>Derivative financial liabilities</b> |                 |                 |
| Current                                 | (1,490)         | (1,577)         |

**Foreign exchange derivatives**

The currency forward contracts outstanding as at 31 December 2022 have a notional value of USD90 million (2021: USD78 million).

These contracts mature within a period of one to twelve months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by these contracts are expected to affect the income statement.

**Fuel price hedging derivatives**

The Company did not have fuel price hedging derivatives contracts outstanding as of 31 December 2022 (2021: USD62.3 million).

Fuel hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to inventory/income statement as applicable as the forecast hedged transactions would simultaneously affect the results of the Company.

Risk management strategy of the Company is disclosed in Note 4.1 (a) – Market risk.

**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS – continued****9. INVENTORIES**

|                        | <b>2022</b><br><b>EUR'000</b> | <b>2021</b><br><b>EUR'000</b> |
|------------------------|-------------------------------|-------------------------------|
| Petroleum products     | <b>77,243</b>                 | 32,833                        |
| Consumable spare parts | <b>424</b>                    | 140                           |
|                        | <b>77,667</b>                 | <b>32,973</b>                 |

There have been no inventory write-offs in the current and prior year.

**10. TRADE AND OTHER RECEIVABLES**

|                                         | <b>2022</b><br><b>EUR'000</b> | <b>2021</b><br><b>EUR'000</b> |
|-----------------------------------------|-------------------------------|-------------------------------|
| Trade receivables – third parties (i)   | <b>38,190</b>                 | 32,508                        |
| Trade receivables – related parties (i) | <b>1,573</b>                  | 18,530                        |
| Amounts owed by parent company (ii)     | <b>2,633</b>                  | 2,860                         |
| Prepayments and accrued income          | <b>1,545</b>                  | 180                           |
| Other receivables                       | <b>444</b>                    | 586                           |
|                                         | <b>44,385</b>                 | <b>54,664</b>                 |

(i) Trade receivables are non-interest bearing and repayable on 30 to 60-day terms.

**Impairment of financial assets – trade receivables**

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Trade receivables are stated net of expected credit losses as follows (Note 4.1 (b)):

|                                     | <b>2022</b><br><b>EUR'000</b> | <b>2021</b><br><b>EUR'000</b> |
|-------------------------------------|-------------------------------|-------------------------------|
| Trade receivables – third parties   | <b>833</b>                    | 833                           |
| Trade receivables – related parties | <b>1,610</b>                  | 9,574                         |
|                                     | <b>2,443</b>                  | <b>10,407</b>                 |

An ageing analysis of trade receivables is included in Note 4.1.

(ii) Amounts owed by parent company are unsecured, interest-free and have no fixed date of repayment.



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS - continued****11. CASH AND CASH EQUIVALENTS**

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

|                          | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Cash at bank and in hand | 38,331          | 1,658           |
| Bank overdraft (Note 16) | (28,309)        | (34,092)        |
|                          | <u>10,022</u>   | <u>(32,434)</u> |

**12. EQUITY****(a) Issued capital**

|                                         | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| <b>Authorised and issued:</b>           |                 |                 |
| 62,250,000 ordinary shares of EUR1 each | 62,250          | 62,250          |

**(b) Dividends**

|                               | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-------------------------------|-----------------|-----------------|
| <b>Final dividend</b>         |                 |                 |
| Gross                         | 2,000           | 2,511           |
| Tax at source at 35%          | (700)           | (879)           |
| <b>Net</b>                    | <u>1,300</u>    | <u>1,632</u>    |
| <b>Net dividend per share</b> | <u>0.021</u>    | <u>0.026</u>    |

**(c) Retained Earnings**

Retained earnings represent the profits generated from the date of incorporation to 31 December 2022.



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 13. HEDGING RESERVE

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve. As at 31 December the reserve is made up as shown below:

|                                            | Currency<br>forwards<br>EUR'000 | Commodity<br>derivatives<br>EUR'000 | Total<br>EUR'000 |
|--------------------------------------------|---------------------------------|-------------------------------------|------------------|
| <b>At 31 December 2020</b>                 |                                 |                                     |                  |
| Gross amounts of (losses)/gains            | (3,831)                         | 6,368                               | 2,537            |
| Deferred income taxes                      | 1,341                           | (2,229)                             | (888)            |
|                                            | (2,490)                         | 4,139                               | 1,649            |
| <b>Movement – 31 December 2021</b>         |                                 |                                     |                  |
| (Losses)/gains from changes in fair value  | 6,442                           | 34,789                              | 41,231           |
| Deferred income taxes                      | (2,255)                         | (12,176)                            | (14,431)         |
|                                            | 4,187                           | 22,613                              | 26,800           |
| Transferred to inventories                 | (356)                           | (34,416)                            | (34,772)         |
| Transferred to statement of profit or loss | -                               | (8,317)                             | (8,317)          |
| Deferred income taxes                      | 125                             | 14,957                              | 15,082           |
|                                            | (231)                           | (27,776)                            | (28,007)         |
| <b>At 31 December 2021</b>                 |                                 |                                     |                  |
| Gross amounts of (losses)/gains            | 2,255                           | (1,576)                             | 679              |
| Deferred income taxes                      | (789)                           | 552                                 | (237)            |
|                                            | 1,466                           | (1,024)                             | 442              |
| <b>Movement – 31 December 2022</b>         |                                 |                                     |                  |
| (Losses)/gains from changes in fair value  | (3,087)                         | 11,021                              | 7,934            |
| Deferred income taxes                      | 1,386                           | (3,857)                             | (2,471)          |
|                                            | (1,701)                         | 7,164                               | 5,463            |
| Transferred to inventories                 | 318                             | 11,132                              | 11,450           |
| Transferred to statement of profit or loss | -                               | (7,827)                             | (7,827)          |
| Deferred income taxes                      | (111)                           | (1,157)                             | (1,268)          |
|                                            | 207                             | 2,148                               | 2,355            |
| <b>At 31 December 2022</b>                 |                                 |                                     |                  |
| Gross amounts of (losses)/gains            | (1,384)                         | -                                   | (1,384)          |
| Deferred income taxes                      | 484                             | -                                   | 484              |
|                                            | (900)                           | -                                   | (900)            |

The net fair value gains at 31 December 2022 on commodity contracts which hedge anticipated future transactions will be transferred from the hedging reserve to inventory when the derivative is settled. It is subsequently transferred to the statement of profit or loss when the forecast transactions occur.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 14. DEFERRED TAXATION

The movement on deferred taxation is as follows:

|                                                  | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------------------------------|-----------------|-----------------|
| Opening balance                                  | 605             | 4,608           |
| (Debit)/credit to the income statement (Note 23) | (3,713)         | (4,653)         |
| (Debit)/credit to other comprehensive income     | 722             | 650             |
| At end of year                                   | (2,385)         | 605             |

Deferred taxes are recognised using the liability method on temporary differences and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%.

Deferred income tax assets and liabilities are offset when the taxes concerned relate to the same fiscal authority. The following amounts are offset in the statement of financial position:

|                          | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets      | 2,101           | 4,196           |
| Deferred tax liabilities | (4,486)         | (3,591)         |
| At end of year           | (2,385)         | 605             |

The directors are confident that any deferred tax liability recognised in the financial statements will be realised in the foreseeable future through trading operations conducted by the Company. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**14. DEFERRED TAXATION - continued**

Deferred taxation is composed of deferred tax assets and liabilities which are expected to be recovered after more than 12 months, except for deferred tax asset on the fair valuation of derivative instruments amounting to EUR0.48 million (2021: deferred tax liability of EUR0.24million) which are expected to crystallise within the next 12 months. Deferred tax assets and liabilities and the related movements are attributable to the following items:

| (Liabilities)/<br>Assets                                   | ROU<br>asset<br>and<br>lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|------------------------------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                            | EUR'000                                     | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2022                                          | 262                                         | 6                                              | (3,126)                             | 3,415       | 286      | (238)       | -         | 605     |
| Credit to<br>statement of other<br>comprehensive<br>income | -                                           | -                                              | -                                   | -           | -        | 722         | -         | 722     |
| (Debit)/credit to<br>income statement                      | 85                                          | -                                              | (1,364)                             | (2,358)     | (75)     | -           | -         | (3,712) |
| At 31 December<br>2022                                     | 347                                         | 6                                              | (4,490)                             | 1,057       | 211      | 484         | -         | (2,385) |

| (Liabilities)/<br>Assets                                   | ROU<br>asset<br>and<br>lease<br>liabilities | Trading<br>losses and<br>capital<br>allowances | Property,<br>Plant and<br>equipment | Receivables | Payables | Derivatives | Inventory | Total   |
|------------------------------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------|-------------|----------|-------------|-----------|---------|
|                                                            | EUR'000                                     | EUR'000                                        | EUR'000                             | EUR'000     | EUR'000  | EUR'000     | EUR'000   | EUR'000 |
| At 1 January 2021                                          | 136                                         | 4,658                                          | (1,353)                             | 2,312       | (364)    | (888)       | 107       | 4,608   |
| Credit to<br>statement of other<br>comprehensive<br>income | -                                           | -                                              | -                                   | -           | -        | 650         | -         | 650     |
| (Debit)/credit to<br>income statement                      | 126                                         | (4,652)                                        | (1,773)                             | 1,103       | 650      | -           | (107)     | (4,653) |
| At 31 December<br>2021                                     | 262                                         | 6                                              | (3,126)                             | 3,415       | 286      | (238)       | -         | 605     |

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 15. TRADE AND OTHER PAYABLES

|                                    | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------|-----------------|-----------------|
| Trade payables (i)                 | 44,155          | 38,828          |
| Amount due to related parties (ii) | 15,358          | 15,978          |
| Accruals and deferred income (iii) | 24,028          | 15,675          |
|                                    | <b>83,541</b>   | <b>70,481</b>   |

- (i) Trade payables are non-interest bearing and repayable within a 60-day term.  
(ii) Amounts due to related parties are unsecured, interest free and repayable on-demand.  
(iii) Accruals and deferred income mainly relate to accruals for fuel purchases not yet invoiced as at year-end and deferred income arising on sale of heavy gas oil.

## 16. INTEREST BEARING LOANS AND BORROWINGS

|                                             | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| Bank loans                                  | 43,973          | 48,463          |
| Bank overdrafts                             | 28,309          | 34,092          |
| Total interest-bearing loans and borrowings | <b>72,282</b>   | <b>82,555</b>   |

|                                             | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| On demand or within one year                | 33,049          | 38,742          |
| Between two and five years                  | 17,771          | 19,005          |
| After five years                            | 21,462          | 24,808          |
| Total interest-bearing loans and borrowings | <b>72,282</b>   | <b>82,555</b>   |

|                                             | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------|-----------------|-----------------|
| Non-current                                 | 39,233          | 43,813          |
| Current                                     | 33,049          | 38,742          |
| Total interest-bearing loans and borrowings | <b>72,282</b>   | <b>82,555</b>   |

The Company has the following facilities:

- (i) Bank loan facilities of EUR38.2 million (2021: EUR41.3 million) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 15 years from first drawdown. Such loan facilities are subject to loan covenants which require maintaining a minimum Debt Service Coverage Ratio ("DSCR"). According to the covenant conditions, if the DSCR is not met, the Company must demonstrate its ability to generate sufficient cash to service its debt obligations, as is the case as at 31 December 2022 (31 December 2021: DSCR was met).
- (ii) Bank loan facilities of EUR5.7 million (2021: EUR7.1 million) bearing interest of 1.75% (minimum rate) plus 3 months EURIBOR per annum repayable on the term of 15 years from first drawdown.
- (iii) The loan facilities are secured by a general hypothec for EUR75 million and guarantees of EUR5 million over all the assets of the Company supported by a special hypothec of EUR75 million over the Company's assets as well as other guarantees provided by third party companies.

**NOTES TO THE FINANCIAL STATEMENTS – continued****17. LEASES***Company as lessee*

The Company has lease contracts for various property used in its operations. Such leases have lease terms between 50 and 63 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

|                      | 2022<br>EUR'000 | 2021<br>EUR'000 |
|----------------------|-----------------|-----------------|
| At 1 January         | 11,630          | 10,574          |
| Additions            | -               | 1,318           |
| Depreciation expense | (209)           | (262)           |
| At 31 December       | 11,421          | 11,630          |

Set out below are the carrying amounts of lease liabilities and the movements during the year:

|                       | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-----------------------|-----------------|-----------------|
| At 1 January          | 12,379          | 10,961          |
| Additions             | -               | 1,318           |
| Accretion of interest | 371             | 432             |
| Payments              | (339)           | (332)           |
| At 31 December        | 12,411          | 12,379          |

The following are the amounts recognised in profit or loss:

|                                                                                      | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------------------------------------------------------------------|-----------------|-----------------|
| Depreciation expense of right-of-use assets                                          | 209             | 209             |
| Interest expense on lease liabilities                                                | 371             | 432             |
| Expense relating to short-term leases (included with cost of sales)                  | 988             | 1,034           |
| Expense relating to leases of low-value assets (included in administrative expenses) | -               | 29              |
| Total amount recognised in profit or loss                                            | 1,568           | 1,704           |

The Company had total cash outflows for leases of EUR0.3 million in 2022 (2021: EUR0.3 million). The Company did not have any additions to right-of-use assets and lease liabilities during 2022 (2021: EUR1.3million).

The Company's lease contracts do not include extension and termination options.

**NOTES TO THE FINANCIAL STATEMENTS – continued**
**18. REVENUE**

Revenue is made up of the following:

|                                    | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------|-----------------|-----------------|
| Distribution of petroleum products | 418,309         | 275,511         |
| Rental income                      | 1,232           | 904             |
| Government grant                   | 67,824          | -               |
|                                    | <b>487,365</b>  | <b>276,415</b>  |

Distribution of petroleum products fall under IFRS 15 and is recognized at a point in time.

**19. OTHER OPERATING INCOME**

|              | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------|-----------------|-----------------|
| Other income | 417             | 1,694           |
|              | <b>417</b>      | <b>1,694</b>    |

**20. EXPENSES BY NATURE**

|                                                  | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------------------------------|-----------------|-----------------|
| <b>Cost of sales and administrative expenses</b> |                 |                 |
| Employee benefit expense (Note 21)               | 6,425           | 6,210           |
| Depreciation of property, plant and equipment    | 6,538           | 4,682           |
| Depreciation of right of use assets              | 209             | 262             |
| (Decrease) / Increase in expected credit losses  | (7,964)         | 5,792           |
| Net purchases of petroleum products              | 348,823         | 137,499         |
| Maintenance and inventory related expenses       | 1,143           | 913             |
| Duty on products sold                            | 92,909          | 92,635          |
| Rent                                             | 988             | 1,034           |
| Plant Handover Costs                             | 600             | -               |
| Goodwill impairment                              | 1,200           | -               |
| Other expenses                                   | 10,231          | 7,897           |
|                                                  | <b>461,102</b>  | <b>256,926</b>  |
| <b>Disclosed as</b>                              |                 |                 |
| Cost of sales                                    | 446,783         | 233,556         |
| Administrative, selling and distribution costs   | 14,319          | 23,370          |
| <b>Total</b>                                     | <b>461,102</b>  | <b>256,926</b>  |



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS – continued****20. EXPENSES BY NATURE - continued***Auditor's fees*

Fees charged by the auditor for services rendered during the year ended 31 December 2022 and 2021 relate to the following:

|                          | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------|-----------------|-----------------|
| Annual statutory audit   | 60              | 60              |
| Other non-audit services | 25              | 13              |
| Total                    | 85              | 73              |

**21. FINANCE COSTS**

|                                        | 2022<br>EUR'000 | 2021<br>EUR'000 |
|----------------------------------------|-----------------|-----------------|
| Interest on bank loans                 | 1,084           | 826             |
| Interest on right-of-use assets leased | 371             | 432             |
| Guarantee fees                         | 17              | 232             |
|                                        | 1,472           | 1,490           |

**22. EMPLOYEE BENEFIT EXPENSE**

|                                      | 2022<br>EUR'000 | 2021<br>EUR'000 |
|--------------------------------------|-----------------|-----------------|
| Wages and salaries                   | 6,207           | 3,926           |
| Social security costs                | 304             | 227             |
|                                      | 6,511           | 4,153           |
| Amounts recharged by related parties | (86)            | 2,057           |
|                                      | 6,425           | 6,210           |

The average number of persons employed by the Company during the year amounted to 178 (2021: 155).

|                | 2022<br>No. | 2021<br>No. |
|----------------|-------------|-------------|
| Administration | 36          | 31          |
| Operations     | 142         | 124         |
|                | 178         | 155         |

Directors' remuneration is disclosed in Note 24.



**ENEMED CO. LTD.****Annual report and financial statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS - continued****23. INCOME TAX EXPENSE/(CREDIT)**

|                                         | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-----------------------------------------|-----------------|-----------------|
| Current tax expense                     | 6,041           | 2,780           |
| Deferred tax expense/(credit) (Note 14) | 3,713           | 4,653           |
| Income tax expense/(credit)             | 9,754           | 7,433           |

The tax impacts, which are entirely attributable to deferred taxation, relating to components of other comprehensive income and accordingly presented directly in equity are as follows:

|                  | 2022                     |                          |                          |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | Before<br>tax<br>EUR'000 | Tax<br>credit<br>EUR'000 | Net of<br>tax<br>EUR'000 |
| Cash flow hedges | (1,384)                  | 484                      | (900)                    |

|                  | 2021                     |                          |                          |
|------------------|--------------------------|--------------------------|--------------------------|
|                  | Before<br>tax<br>EUR'000 | Tax<br>credit<br>EUR'000 | Net of<br>tax<br>EUR'000 |
| Cash flow hedges | 680                      | (238)                    | 442                      |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

|                                          | 2022<br>EUR'000 | 2021<br>EUR'000 |
|------------------------------------------|-----------------|-----------------|
| Profit before tax                        | 26,199          | 20,614          |
| Tax on profit at 35%                     | 9,170           | 7,215           |
| Tax effect of:                           |                 |                 |
| Income taxed at other tax rates          | (180)           | (138)           |
| Expenses not deductible for tax purposes | 740             | 266             |
| Other differences                        | 24              | 90              |
| Income tax expense/(credit)              | 9,754           | 7,433           |

**24. DIRECTORS' EMOLUMENTS**

|                               | 2022<br>EUR'000 | 2021<br>EUR'000 |
|-------------------------------|-----------------|-----------------|
| Salaries and other emoluments | 46              | 51              |

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**25. GOVERNMENT GRANTS**

|                                             | 2022<br>EUR'000 |
|---------------------------------------------|-----------------|
| At 1 January                                | -               |
| Received during the year                    | 111,000         |
| Released to the statement of profit or loss | (67,824)        |
|                                             | <u>43,176</u>   |
| At 31 December                              | <u>43,176</u>   |
| Current                                     | 43,176          |
| Non-Current                                 | -               |
|                                             | <u>43,176</u>   |

As explained in Note 2.1, in early 2022, the conflict between Russia and Ukraine caused significant volatility and instability within the energy sector, with prices reaching very high levels. This cost escalation would have led the Company to increase its fuel selling prices to ensure the continuity of its operations in a feasible and economically viable manner.

To shield the Maltese industry and the general public from a drastic rise in the price of fuel, the Government opted to subsidise the energy utilities, which also covers the motor fuels traded by the Company through a Government Grant. Such Grant absorbs the additional rise in fuel costs, thereby safeguarding the Company's operational sustainability. The government has opted for this mechanism which has been designed to counterbalance the surge in fuel costs without passing the burden onto the industry and the general public, by ensuring that the market fuel prices remained at the same levels.

During 2022, the Company received EUR111million in Government Grant for the purpose of retaining adequate liquidity, out of which, EUR67.8million were taken to profit or loss during the current year based on the grant mechanism explained above.

There are no unfulfilled conditions or contingencies attached to these grants.

## NOTES TO THE FINANCIAL STATEMENTS – continued

## 26. CASH FROM OPERATIONS

Reconciliation of profit before tax to cash from operations:

|                                                         | 2022<br>EUR'000 | 2021<br>EUR'000 |
|---------------------------------------------------------|-----------------|-----------------|
| Profit before tax                                       | 26,199          | 20,614          |
| <i>Adjustments for:</i>                                 |                 |                 |
| Depreciation on property, plant and equipment (Note 6)  | 6,502           | 4,682           |
| Depreciation on ROU assets (Note 17)                    | 209             | 262             |
| Provision for impairment of trade and other receivables | (7,964)         | 5,792           |
| Goodwill impairment                                     | 1,200           | -               |
| Finance costs                                           | 1,472           | 1,490           |
| <i>Change in working capital:</i>                       |                 |                 |
| Inventories                                             | (44,376)        | 747             |
| Trade and other receivables                             | 18,243          | (19,483)        |
| Trade and other payables                                | 13,061          | 4,355           |
| Government Grant                                        | 43,176          | -               |
| Cash from operations                                    | 57,722          | 18,459          |

## 27. COMMITMENTS

**Capital commitments**

At the year end, the Company had the following capital commitments in respect of property, plant and equipment which were contracted but not yet incurred amounting to EUR13.6 million (2021: EUR17.3 million).

## 28. CONTINGENCIES

**Guarantees**

As at 31 December 2022, letters of credit amounting to EUR4.1 million (2021: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

## 29. RELATED PARTY TRANSACTIONS

The Company's immediate parent is Petromal Company Limited which is a Company registered in Malta with registration number C65288 and registered address LAP121, Luqa Aviation Park, Aviation Avenue, Luqa, Malta. The results of the Company are consolidated with the results of Petromal Company Limited. The Company is ultimately owned and controlled by the Government of Malta. Therefore, the Company considers that, for the purpose of IAS 24 (revised), the Government and Government-related entities are related parties for the purpose of the disclosures required by IAS 24.

**NOTES TO THE FINANCIAL STATEMENTS – continued****29. RELATED PARTY TRANSACTIONS - continued**

The compensation payable to key management personnel amounted to EUR504,079 (2021: EUR316,178).

During the year, the Company had the following transactions with Government and Government-related entities:

|                         | <b>2022</b><br><b>EUR'000</b> | <b>2021</b><br><b>EUR'000</b> |
|-------------------------|-------------------------------|-------------------------------|
| Revenue                 | <b>35,184</b>                 | 11,090                        |
| Cost of sales           | <b>(92,909)</b>               | (92,635)                      |
| Administrative expenses | <b>(218)</b>                  | (2,284)                       |
| Dividends               | <b>1,300</b>                  | 1,632                         |

Significant balances with Government and Government-related entities for the Company as at the end of the reporting periods are disclosed as follows:

Notes 10 and 15 include details of trade receivables and trade payables held with related parties. As disclosed in note 28, letters of credit amounting to EUR4.1 million (2021: EUR4.1 million) were issued by the Company's bankers in favour of related parties.

**NOTES TO THE FINANCIAL STATEMENTS – continued**

**30. SUBSEQUENT EVENTS**

*Government Grants*

As disclosed in Note 2.1, the Company has been in receipt of Government Grants throughout 2023, calculated on the Grant mechanism explained in Note 25. Due to persisting price instability within the energy sector throughout 2023, in the November 2023 budget speech, the government reaffirmed its commitment to supporting the energy sector through subsidising energy utilities during 2024, which also covers the motor fuels traded by the Company, with the aim of shielding the Maltese market from an increase in fuel prices.

