Company Registration No. C 56012

VBL PLC

Annual Financial Report
and
Consolidated Financial Statements

31 December 2023

CONTENTS

GENERAL INFORMATION

Registration

VBL Plc is registered in Malta as a public limited liability company under the Maltese Companies Act (Cap. 386). The company's registration number is C 56012. Since last publication, there were no changes to the name of the reporting entity.

Place of domiciliation

Malta

Principal place of business

Malta

Directors

Dr. Andrei Imbroll	
Dr. Geza Szephalmi	
Mr. Julian Tzvetkov	
Mr. Artur Haze	
Mr. David Galea Souchet	
Ms. Isabella Vella	
Dr. John Attard	(appointed on 06 July 2023)

Company secretaries

Dr. Joseph Borg Bartolo and Dr. Mikiel Calleja

Registered office

54
Marsamxett Road
Valletta VLT 1852
Malta

Principal Bankers

Bank of Valletta p.l.c.
184 Triq In-Naxxar
San Gwann SGN 9030
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

DIRECTORS' REPORT

The Directors present their annual financial report and audited consolidated financial statements of VBL Plc ("the Company") and its subsidiaries (together, "the Group" or the "VBL Group") for the year ended 31 December 2023.

Principal activities

The Company and its fully owned subsidiaries forming the VBL Group, are involved in property ownership and the full process of real estate acquisitions, integrated real estate development, property management, operations, utilisation (rental) and disposal of properties. The Group's main market of operation is Valletta, which is a UNESCO world heritage site, and is a protected, unique and fortified city, the political and administrative centre of Malta.

During the course of over ten years of operations, the Group has established itself as one of the largest and most active investors in immovable property in Valletta (based on the number of owned, acquired and developed units, and the number of operated/managed properties in Valletta). VBL Group has a successful track record of identifying, acquiring, developing and managing real estate all around Valletta.

The Group's principal areas of activities are as follows:

A. Property ownership, regeneration and maintenance.
B. Identification and acquisition of real estate assets in the city of Valletta, and the consolidation of acquired properties to achieve sizeable development projects, spanning the planning and permitting stage to the preparation and development of the projects.
C. Execution, on a project-by-project basis, of the restructuring, conceptualisation, re-development, re-generation and renovation of acquired real estate assets, including regeneration and improvement of related areas, neighbourhoods or districts of the city, improving overall quality of life for the local community and residents, creating modern, liveable community areas and supporting development of social and cultural activities.
D. Operation and management of commercial and residential real estate assets with a view to generating growing recurring rental income; or sale, and occasionally management for the new owners, of the re-developed assets, where the commercial opportunity to dispose of the asset secures higher margins than its on-going operation. This operational area also includes the management of other third-party real estate assets for accommodation, commercial and office space and the provision of professional operation and management of established hotels and hostels, by leveraging on VBL's existent operational structures and highly skilled management team, while providing high value-added services and overall solution to owners of such assets.

The Group has developed fully integrated professional skills and management structure with large range of in-house capabilities in each of the principal activities undertaken by the Group, ranging from the asset acquisition, asset regeneration/renovation/development, management and operation activities. The Group has established a vertically integrated business process, based on a very well defined and focused target market, where it has proven skills to deliver on all aspects the whole cycle, whereby ensuring the high quality of products and/or services based on established in-house systems and structures, supported by a selection of trusted long-term business partners and sub-contractors to ensure efficiency and to reduce dependency on more vulnerable, short-term commercial relations, thus also ensuring that maximum benefit is derived from all margins.

Review of Business Development and Financial Position of the Financial Year 2023

The financial performance of the Group has remained stable and has shown continuous growth from the previous years. During the reporting period, the Group managed to increase its revenues compared to the previous year, resulting in a 40% increase in 2023, whilst operational profitability, i.e. Operational EBITDA, at €532,254, up from €258,791 and Operational EBITDA Margin at 16% up from 11%, show significant growth. The Group's operations continue to be dependent on overall market trends, such as global economy trends, airline seat capacity, consumer price changes, services inflation and labour market supply challenges.

DIRECTORS' REPORT - continued

Review of Business Development and Financial Position of the Financial Year 2023 - continued

During the reporting period, the Group has remained successful in terms of progressing with the implementation of its announced strategy, renovation programme and – as part of its hospitality operations - consolidation of the Valletta hospitality market adding new units to its hospitality operations, both third party managed and own developed units. The Group has retained focus on its core market, Valletta.

In the reporting period, the Group has continued to progress with its development programme, which has resulted to €2,042,475 Investment Income, as the balance of fair value movement of individual portfolio assets and an overall significant increase in the book value of Investment Property amounting to €3,464,323.

The proportion of renovated operational assets continues to grow, however it remains relatively low compared to the Group's total owned portfolio. As of 31 December 2023, only about 30% of the Group's owned assets, based on square meters, were operational and revenue generating. The remaining part of the Group owned assets are under development or are being prepared for development, which projects significant growth opportunities in the coming years, result from the conversion of the owned non-performing assets into renovated, revenue generating properties. Along with the conversion of owned but non-operational assets into renovated and revenue-generating properties, the gross yield of the commercialised properties continues to improve from the current level of 5-6%, and is expected to exceed this level at mid-term, following completion of current development projects.

The Group continued using its long-term development financing facility, in line with the progress of the development programme. The Group's leverage however remains very low (ca 12.6%), as a result of the conservative management approach.

The core activity and the most significant value driver for the Group is real estate acquisitions and development, which accounts for the most significant value changes in the Company's accounts. The Group therefore – similarly to its peer companies – assesses and reflects the investment income right under total revenues but shown as a separate line, which in the reporting period has reached €2,042,475 (2022 Investment income was €6,874,185).

Investment property fair value and net book value does not take into account the potential value of the property at completion. Investment income reflects only the value changes from completed development or other market adjustment in the reporting period. Project value discounts are not reflected before final completion and handover of the development, which would then be supported by third-party independent valuation.

	ACTUAL Jan – Dec 2023	ACTUAL Jan - Dec 2022	VARIANCE 2023 ACTUAL VS 2022 ACTUAL	
	€	€	€	%
Revenue	3,245,679	2,316,112	929,567	40%
Investment Income	2,042,475	6,874,185	(4,831,710)	(70%)
Cost of Sales	(1,696,305)	(1,168,215)	(528,090)	45%
Gross Profit/(Loss)	**3,591,849**	**8,022,082**	**(4,430,233)**	**(55%)**
GOP Margin	68%	87%		
Other Operating Income	**28,403**	**8,230**	**20,173**	**245%**
Total Operating Costs	**(1,045,523)**	**(897,336)**	**(148,187)**	**17%**
EBITDA	**2,574,729**	**7,132,976**	**(4,558,247)**	**(64%)**
EBITDA Margin	49%	78%	(29%)	
EBITDA (Operational)	***532,254***	***258,791***	***273,463***	***106%***
EBITDA Margin (Operational)	*16%*	*11%*	*5%*	

Notes
(1) Operational EBITDA and Operational EBITDA margin is calculated without investment income.

DIRECTORS' REPORT - continued

Dividends and Reserves

Dividend payment for the year ended 31 December 2023, will be considered and proposed by the Directors for the decision of the Annual General Meeting. During the reporting period, a total dividend of €180,000 was distributed to the shareholders for the year ended 31 December 2022 (corresponding to 0.0726 Euro Cents per share).

The directors have proposed the balance of retained earnings amounting to €14,179,889 (2022: €12,625,816) be carried forward to the next financial year.

Listed Company Status and New Share Issue

VBL Plc. as the principal company of the Group is a listed entity at the Malta Stock Exchange ("MSE"). In the reporting year, there was a share issue of 1,136,538 newly issued ordinary shares, allocated via private placements, at a nominal value of €0.20 per share, and a premium €0.06 per share. The new share issue and allotment has been registered at the Malta Business Registry with an effective date of 29 December 2023.

As at 31 December 2023, 100% of the Group's equity and issued share capital is listed on the MSE with the total number of shares in issue of 249,179,183. All shares of the Group are ordinary shares, with nominal value of €0.20 each, and have the same shareholders' rights.

The authorised share capital of the Group is €66,000,000.

Events After the End of the Reporting Period

There were no specific, materially important, events affecting the Group or its long-term outlooks, which occurred since the end of the reporting year. The long-term effects of the current global economic situation, global uncertainties and challenges might have an impact on the Group's long-term business and development strategy.

Future Developments

The Group plans to continue its dynamic growth by implementing its declared strategy and announced development programme of its owned assets, as well as improve further the operational economies and utilisation of its already developed assets in line with its long-term business strategy and financial plans. The Group consistently builds and maintains a proprietary pipeline on the Valletta real-estate market. The Group's acquisition focus remains highly opportunistic and is more pronounced towards larger assets or landmark properties. The Group has proven experience in unlocking complex and difficult ownership situations, which remains a key driver of future growth in value. The applied business strategy of the Group ensures acquisition of complex properties at attractive terms, not generally available on the market. Identified pipeline deals are not reflected in the current valuation of the assets, while they represent a significant additional value potential. Further growth in the Group's revenues and asset value shall be achieved through realisation of the existing proprietary pipeline of over 5,000 m^2 of total gross area. Implementation of the acquisition and development strategy is dependent of the available investment resources and other market factors.

Ongoing developments are valued on a project value basis, where the full value of the asset would be realised upon final completion of the projects. In this current development cycle, the Group is developing approx. 7,000 m^2 over a number of projects. The projected property value increase upon completion of these ongoing projects is expected to be in the region of €8-10 Million, in the mid-term. The bulk of this incremental value release will take place upon completion and start of operation of the Silver Horse Block, one of the largest development projects in Valletta.

DIRECTORS' REPORT - continued

Financial Risk Management

The Group is exposed to a variety of financial risks, including - among others - market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the external market factors and the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses different methods to assess different types of risk to which it is exposed. These methods include sensitivity analysis, assumption modelling and ageing analysis for credit risk. Risk management is carried out by executive management under policies adopted by the Group. These policies include identification and analysis of the Group and appropriate procedures, controls and risk limits.

Environmental, Social and Governance (ESG) responsibility and commitment

The Group and its stakeholders, including directors, management, employees and investors, are increasingly emphasising the importance of enforcing environmentally and socially responsible, ethical and sustainable business practices. As part of this effort, the Group has established a dedicated leadership team, which is knowledgeable about ESG priorities and can provide continuous guidance and coordinated efforts to all stakeholder in shaping up the corporate culture, internal and external processes where the Group has influence, raising the ESG awareness on its core market of operation, and demonstrating a genuine commitment to ethical and sustainable business practices, along with emphasising environmental and social ethical behaviour. The Group's declared commitment to improving all areas of the business, environmental and social ecosystem of the Group, is aiming to contribute to a better future, while ensuring preservation of the architectural, environment and historical values, together with ensuring the long-term sustainability and profitability of its operations, based on the implementation of the defined business strategy. As a result, during the reporting period, the Group has increased its efforts and awareness of the ESG issues, understanding how essential they are to effectively navigate the Group and its business in this evolving landscape and ensure the long-term success of the Group. The Group has been assessing and responding to all three ESG pillars.

Of the three pillars, the most sector specific in the Group's case is clearly sustainability and the environmental considerations, both in Development and Real Estate Management, Hospitality.

1. **Environmental** – 3R Methodology (Reduce-Reuse-Recycle), is the heart of Group's decision-making process
   In the phase of **<u>Development</u>**, the key focus areas are:
   a. Avoiding green-field development and new construction, using traditional and where possible recycled construction materials, avoiding taking up new areas and spaces;
   b. Regeneration of existing floor slabs reduces the concrete requirements across all of the Group's development projects;
   c. Applying traditional old Maltese tiles sourced from within the Group's own portfolio are reused in all development projects;
   d. Restore and reuse wooden beams which are found in historical properties playing a major part of Group's recycling program;
   e. Reduction of construction waste by repurposing of existing building structure;
   f. Storage and eventual reuse of old limestone, cement tiles, xorok (stone slabs), aperture and other material;

   In the field of **<u>Real Estate Management, Hospitality</u>**, the key focus areas are:
   g. Reduce and eliminate where possible the use of single use plastic, installation and application of dispensers, reusable inventory and alike;
   h. Preservation and conservation, with furniture relocation scheme implemented within the Group's portfolio, allowing reuse of old traditional furniture based on property class;
   i. Recycling of obsolete apertures into artistic elements within the portfolio;
   j. RMS (room management system) reduced power requirements in all newer developments; and
   k. Application of energy management systems, flow control and similar practices, reducing energy and water wastage.

DIRECTORS' REPORT - continued

Environmental, Social and Governance (ESG) responsibility and commitment - continued

2. **Social**
    a. Equal treatment within workforce, whether own or outsourced;
    b. Diversity of nationalities, 10 plus nationalities in workforce at all times both local, EU or non-EU;
    c. Gender neutral Human Resources (HR) and management setup; and
    d. Corporate culture built on open door policy, equality, fairness and transparency.

3. **Governance**
    a. The Group as a listed entity, is under the supervision of the MFSA (Malta Financial Supervisory Authority);
    b. Transparency is in the focus;
    c. Follows corporate best practices, rules and regulations;
    d. As a public company, follows General Data Protection Regulation (GDPR) and Anti-Money Laundering (AML) international standards; and
    e. The Group has no political engagements.

Going Concern

Currently, the Directors are of the opinion that even though the global and local market trends might deliver turbulent short- and mid-term forecast, over the long run Management do not see any going concern issues. The Group's financial performance is expected to keep on benefiting from its existing inflation-resistant portfolio of prime real estate assets, located in the historic city of Valletta, which is providing excellent positions for delivering a solid and sustainable long-term growth. The Group remains on the path of development and growth resulting from the implementation of its conservative business and financial strategy and ongoing development programme. The Directors assumed that core market of operation, the industry and the general economic environment will remain stabilised in mid to long term and the Group's financial results will keep on following this trend.

The ongoing development projects are progressing as expected, recovering from the interim delays and are expected to be successfully concluded in the coming years, as communicated by the Group, subject to the current, known market and economic factors remaining constant or improving further.

The Group's current low level of indebtedness and the structure of the long-term development loans, provide for a better than average resistance to internal and external industrial or financial challenges, while the increasing inflationary and interest rate pressure is mostly affecting companies with a less strong balance sheet and less resistant asset base.

The current economic landscape and market conditions on the core market of the Group present new opportunities, which the Group plans to continue to explore, aiming to further enhance its core product, together with maintaining its very clear strategy and focus.

The Directors expect that under the currently known market conditions on the local or international landscape and expected business developments, the Group will not face a going concern issue.

Principal Risks and Uncertainties

The key risk factors the Group is facing, have been categorised under five main categories, according to whether the risk factors relate to:

(i.) risks relating to the acquisition and disposal of immovable property;
(ii.) risks relating to construction and development of immovable property;
(iii.) risks relating to management and operation of immovable property;
(iv.) risks related to the change of interest rates and the conditions of financing deriving from the overall global economy, local financial market, global and European inflationary environment, and Euro-based interest rates; and

DIRECTORS' REPORT - continued

Principal Risks and Uncertainties - continued

(v.) risks relating to the general business and operations of the Group, including global political and economic instability, cyber threats, or supply chain risks. This category of risk factors is intended to encapsulate those risk factors that concern the day-to-day operations and activities of the Group, regardless of the line of operations concerned and are, therefore, considered to apply equally to each of the individual business lines referred to in categories (i) to (iii). In addition, the Board of Directors considers that in view of the concentration of the Company's immovable properties in Valletta, it is appropriate to identify those specific risks that are attributable to, or associated with, the market for immovable property situated in Valletta, taking into account the unique characteristics of the Valletta market, its historic and political/administrative background. Those risks relating specifically to the Valletta immovable property market that are identifiable at the date hereof have been included within the main categories referred to above respectively.

If any of the risks described were to materialise and could not be mitigated under reasonable terms, they could have a serious effect on the Group's financial results, financial condition, operational performance, business and/or trading prospects. The risks and uncertainties discussed above are those identified as such by the Board of Directors as at the date of this Report, but these risks and uncertainties may not be the only ones that the Group faces or could face. Additional risks and uncertainties, including any which the Board of Directors are not currently aware of, or that the Board of Directors currently deem immaterial or remote, individually or cumulatively, may well result in a material impact on the financial results, financial condition, operational performance, and/or trading and development activities of the Group.

Shareholding Structure of the Group Pursuant to Capital Markets Rule 5.64

The issued share capital of the Group as at the date of this report is 249,179,183 ordinary shares with a nominal value of €0.20 per share. All shares are listed on the Malta Stock Exchange and hold the same rights.

The Group's shareholders holding 5% or more in direct or indirect shareholding are:

Shareholder's Name	Number of Shares (owned directly)
VBLM Limited	46,000,010
Raniark Limited	44,010,815
Geza Szephalmi	40,433,395
Andrei Imbroll	36,919,655
Sorbusenco Enterprises Limited	22,635,560
Petrolsped (Malta) Ltd	14,997,045
Julian Tzvetkov	12,005,245

VBLM Limited is a management company, which has entered into a Management Services Agreement with the Group, pursuant to which VBLM Limited provides the Group with, *inter alia,* senior executive and strategic management and other support services. There are no restrictions on the transfer of shares of the Company, nor other limitations on the holding of securities or the need to obtain the approval of the Company or other holders of securities.

Powers of the Board Members Pursuant to Capital Markets Rule 5.64.9

The powers of the Directors are outlined in Article 49 of the Articles of Association of the Group.

Disclosure of Material Contracts Pursuant to Capital Markets Rule 5.70.1

The Group is party to a number of material value contracts, including contracts entered into in connection with the acquisition or disposal of real estate assets, the renovation or development of real estate assets, and the subsequent lease and operating agreements in connection with real estate assets, which are considered contracts in the ordinary course of business. All of those contracts have been entered into in the ordinary course of the Group's business and are considered to be at arm's length and under the general business and ethical standards applied by peer companies, globally.

DIRECTORS' REPORT - continued

Disclosure of Material Contracts Pursuant to Capital Markets Rule 5.70.1 - continued

As at the date of this Report, the Board of Directors considers that the only material contract entered into outside the ordinary course of business of the Group is the Management Services Agreement with VBLM Limited, details of which have been published in Section 4.5 of the Registration Document Listing Prospectus.

Company Secretary and Registered Office of the Company Pursuant to Capital Markets Rule 5.70.2

Dr. Joseph Borg Bartolo and Dr. Mikiel Calleja
54, Marsamxett Road, Valletta VLT 1852 Malta

Statement of Responsibility Pursuant to Capital Markets Rule 5.68

The Directors declare that to the best of their knowledge, the consolidated financial statements included in the Annual Financial Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union, as amended from time to time and these statements give in all material aspects a true and fair view of the assets, liabilities, financial position and results of the Group and that this report includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal risks and uncertainties that it faces.

Indemnification of the Directors and Senior Management by the Annual General Meeting

In line with standard international practices and Article 148. Of the Maltese Companies Act, since inception, the Group's Directors propose to the Annual General Meeting of the Group, a resolution on the indemnification of the Directors and Senior Management, related to the year of reporting, to indemnify the members of the Board of Directors and Senior Management of the Group from liabilities and expenses to which any such person(s) may become a party as a result of such individual's acts carried out for and on behalf of the Group, or any of its associated companies, subsidiaries or affiliates, limitedly in so far as such acts are carried out in the individual's capacity as a Director or Senior Manager, as applicable.

The purpose of such resolution, in line with the applicable Maltese laws and governance standards, is to obtain shareholder approval in order to allow for an indemnity to be provided by the Group to the directors and senior management. Such indemnification, as per law, is excluding the cases of fraud, criminal act, gross negligence and alike. This, if proposed and consecutively approved by the Annual General Meeting of the Group, would result in the said person/s being protected (within the limits of the applicable Maltese laws) for any liabilities and expenses that may arise as a result of their duties being exercised for and on behalf of the Group or associated companies, or affiliates.

Board of Directors

The Board of Directors of the Company currently consists of the following Directors:
Dr. Geza Szephalmi, Chairman and Executive Director
Dr. Andrei Imbroll, Executive Director
Mr. Julian Tzvetkov, Executive Director
Mr. Artur Haze, Non-Executive Director, Member of the Audit Committee
Mr. David Galea Souchet, Non-Executive Director, Chairman of the Audit Committee
Ms. Isabella Vella, Non-Executive Director, Member of the Audit Committee
Dr. John Attard, Non-Executive Director, Member of the Audit Committee (appointed as a Board member on 06 July 2023)

Under the provisions of the Company's Memorandum and Articles of Association, the appointment of the directors happens at the Company's General Meeting.

DIRECTORS' REPORT - continued

Auditors

A proposal will be submitted to the Annual General Meeting to re-appoint RSM Malta as Auditor to the Group for year 2024 and to set their remuneration for the period.

Statement of Directors' responsibilities for the financial statements

The Maltese Companies Act (Cap. 386), enacted in Malta, requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group as at the end of the financial year and of the profit or loss for that year.

In preparing the consolidated financial statements, the Directors are responsible for:

- adopting the going concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern;
- selecting suitable accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable and prudent;
- accounting for income and charges relating to the accounting period on accrual basis;
- valuing separately the components of asset and liability items;
- reporting comparative figures corresponding to those of the preceding accounting period; and
- preparing the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable the Directors to ensure that the consolidated financial statements comply with the Maltese Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of consolidated 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Additionally, the directors are responsible for:

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

Signed on behalf of the Group's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Consolidated Financial Statements.

REMUNERATION REPORT AND STATEMENT OF THE DIRECTORS

In line with the Capital Markets Rules (the "**Rules**"), as set out in Chapter 12 of the Rules, the Group is subject to drawing up a **Remuneration Report** in line with the requirements as detailed in the Appendix 12.1 of the Chapter 12, providing an overview of the remuneration to the directors of the Group.

The Group is also subject to the Code of Principles (the "**Code**") forming part of the Capital Markets Rules, and in terms of the respective Rule (8.A.4) the Company is to include a **Remuneration Statement** in its Annual Financial Report with the details of the remuneration policy of the Group and the remuneration of the Directors.

In terms of the effective Remuneration Policy of the Group (**"Remuneration Policy"**), and the principles presented in the Listing Prospectus, and in alignment and compliance with the relevant and applicable guidelines, the Board has reviewed the principles and the relevant guidelines and has concluded that based on the significance of the Company in terms of its size and that of its operations, clients, the structure of its internal organisation, and the nature, scope and complexity of the activities of the Group, this Policy does not require a separate Remuneration Committee to be set-up and the responsibilities attributed to overseeing the Remuneration Policy of the Group shall be performed by the Board of Directors. This Remuneration Policy is reviewed regularly or as required and any material amendments thereto shall be submitted to the General Meeting of the Company for adoption. In the reporting period, there were no changes to the Remuneration Policy.

Remuneration related to the Directors, in accordance with the Remuneration Policy

Directors' Fee

The resolution by the Shareholders of the Company at the Annual General Meeting held on 06 July 2023, approving the aggregate total annual remuneration of the Board of Directors, set the directors' fee for one year at a total of €70,000.

The directors' fee is a fixed annual fee and there has been no change in the individual directors' remuneration with regards to the fixed fee compared to the previous year in the reporting period.

The total directors' fees paid during the financial year 2023 to the Board of Directors was €64,883. According to the existing Policy, the Directors are not entitled to variable fee or other remuneration or benefits related to their directors' position within the Group or from any undertakings belonging to the same Group, meaning a parent undertaking and any subsidiary undertaking.

The Directors of the Group have not been granted any shares or shares options in the reporting period, as part of their remuneration.

After an assessment of the market conditions and the particularities of the Group, the Directors have concluded that the remuneration of the Board of Directors of the Group is considered to be in line with the size of its operations and general applicable industry standards, and the nature, scope and complexity of its activities and in compliance with the Remuneration Policy with no deviations from the procedure for the implementation of the Remuneration Policy.

The Remuneration Policy of the Group is unchanged since its introduction at the Company's Annual General Meeting in 2022, and since there are no changes to annual remuneration of directors, there are no differences which may be presented as comparative analysis required by Appendix 12.1 of the Capital Markets Rules paragraph (b).

REMUNERATION REPORT AND STATEMENT OF THE DIRECTORS - continued

Remuneration related to the Directors, in accordance with the Remuneration Policy - continued

In accordance with Capital Markets Rules, Appendix 12.1 it is hereby disclosed that in the reporting period:

- No remuneration is received by the directors from any undertaking belonging to the same group (parent and subsidiary)
- No share options were granted or offered to directors and CEO or other executives of the Group;
- No variable remuneration is part of the directors' remuneration and there is no possibility to reclaim variable remuneration (if any);
- No deviations from the procedure for the implementation of the Remuneration Policy are relevant in the reporting period.

Executive Management and Services

Since its foundation, the Group has been managed by a dedicated management company, VBLM Ltd ("**VBLM**"). As declared before and presented in the Listing Prospectus, VBLM is also a significant shareholder of the Company and is itself owned, managed and controlled by the Executive Directors of the Company. Its sole activity is the management of the Group.

The provision of management services by VBLM to the Group is based on the existing and established practice dating back to foundation of the Group and has been formalised by means of a management and services agreement ("Management Services Agreement") entered into between VBLM and the principal company of the VBL Group. The nature and content of this relationship and the Agreement itself has been described in detail in the Listing Prospectus. Pursuant to the Management Services Agreement, VBLM provides the Company and its subsidiaries with executive, operational and strategic management and support services.

The remuneration payable by the Group to VBLM under the Management Services Agreement is comprised of a combination of fixed and variable parts, consisting of a Retainer Fee (fixed annual fee, adjusted annually in line with the official inflation index published by the NSO), a Variable Fee (ranging from 50% to 100% of the Retainer Fee, and linked to achievement of pre-defined specific tasks, which is only payable following evaluation and approval by the non-executive Directors); and a Performance Fee (related to the achievement of the mid- and long-term value growth realised by the Group, as described in detail in the Listing Prospectus). The terms and conditions of the Management Services Agreement, evaluation and the payable Variable and Performance fees is monitored and controlled by the non-Executive Directors of the Group.

The Management Services Agreement is aimed at ensuring that the senior Executive Management team, which has steered VBL in attaining successful growth and development since the inception of the Group more than a decade ago, and who have been key to establishing sound and stable operations that has resulted in the prevailing financial and strategic market positioning of the Group, are aligned with the Shareholders' and Group's interests and remains fully committed to deliver the strategic objectives of the Group in line with announced growth and development plans. This element of continuity is considered by the Board of Directors to be in the best interest of the Group, supporting the continuation and evolvement of its existing well-established structure, and to further implement the Group's business strategy and growth, while mitigating risks associated with key personnel and senior management. The current Management Services Agreement is effective as from 1st January 2021. Additional details on the Management Services Agreement are presented in the Group's Listing Prospectus.

REMUNERATION REPORT AND STATEMENT OF THE DIRECTORS - continued

Executive Management and Services - continued

During 2023, the total management services fee due to VBLM for the executive, operational and strategic management and services provided to the Group was €400,000, exclusive of VAT.

Other than the directors' fee and the management services fee, the Group does not provide any other pay, remuneration or alike to its directors for their services. Any changes to the terms of the existing Management Services Agreement are subject to the vetting and approval of the Audit Committee and the non-executive directors of the Group.

The contents of this Remuneration Report have been checked by the Auditors of the Group.

Signed on behalf of the Group's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Consolidated Financial Statements.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Group is subject to the Code of Principles of Good Corporate Governance[1] (the **"Code"**) forming part of the Capital Markets Rules. Listed companies are required under the Capital Markets Rules issued by the Malta Financial Services Authority to include a Statement of Compliance with the Code in their Annual Financial Report, accompanied by a report of the independent auditors.

The Board of Directors of the Group (**"BOD"**, **"Board"** or **"Directors"**) restate their support for the Code and consider that they have taken such measures as are necessary in order for the Group to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Group.

Basic Principles, in Compliance with Code Provisions:

1. The managing body of the Group is an effective Board in terms of Code Provision 1, which is responsible for accountability, monitoring, strategy formulation and policy development as specified in Code Provision 4;
2. The Chairman of the Board does not also occupy the role of Chief Executive Officer, as envisaged in Code Provision 2;
3. The Board is originally composed of seven directors, including four (4) non-executives of whom three (3) are independent in terms of Code Provision 3; thus retaining a healthy mix between executive and non-executives in the composition of the Board of Directors. In the reporting period, until the Annual General Meeting, the number of Directors was six, from the Annual General Meeting held in July 2023, the Board is composed of seven Directors, with four (4) non-executives of whom three (3) are independent;
4. Members of the Board of Directors are all seasoned professionals, with significant local and international professional track record, including that of directors of other listed companies, and proven experience in applying the highest level of corporate governance standards and best management practices, obtained in running large public and private companies;
5. The Board of Directors meets regularly and all Directors are given ample opportunity to discuss the agenda and convey their opinions as specified in Code Provision 5;
6. The Group recognises the importance of professional development and seeks to ensure that there are adequate schemes in place for professional development of management and employees in accordance with Code Provision 6;
7. Of the members of the Board of Directors, the Audit Committee has been set up, consisting of four (4) members. This body has the task, inter alia, of managing conflicts of interest in terms of Code Provision 11. Conflicts of interest are also managed in terms of the Group's Articles of Association and the Terms of Reference of the Audit Committee;
8. The Group has not appointed a Remuneration Committee. The Board believes that the size of the Group and the Board itself does not warrant the setting up of an ad hoc committee to establish the remuneration packages of individual directors, as all directors are remunerated equally for their directorship, and relies on the constant scrutiny of the Board itself, the Group's shareholders, the nature and the size of the Group, as well as the market and the rules by which the Group is regulated as a listed company. The Board shall retain this matter under review over the coming years;
9. The Nomination Committee has been appointed by the Board of Directors with majority of non-executive directors, as members. The Nomination Committee is responsible to run a transparent nomination process for the election/re-election of any members, as required, and as detailed and specified in the Memorandum and Articles of Association.
10. The Group recognises the importance of its role in the corporate social, health and environmental responsibility arena and seeks to ensure that in its development projects and ongoing operations are respectful and it is committed to comply with the expected ESG principles and directions. The Directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt sustainable and environmentally responsible practices, in line with Code Provision 12;

[1] *https://www.mfsa.mt/wp-content/uploads/2019/02/Code-of-Principles-of-Good-Corporate-Governance-for-Listed-Entities.pdf*

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Basic principles, in Compliance with Code provisions: - continued

11. Pursuant to the Group's statutory obligations, the annual financial report and financial statements, declaration of dividends, election of directors and appointment of auditors and authorisation of the directors to set the auditors' fees are proposed and approved at the Group's Annual General Meeting. The Board of Directors properly serves the legitimate interests of all shareholders and is accountable to all shareholders, particularly through the representation of the shareholders on the Board itself. This ensures compliance with Code Provision 9.

In the light of the factors mentioned above, the Board is of the view that the Group is in compliance with the Code.

Specific Corporate Governance principles

The Group, its Directors, its Management and Employees believe that good corporate governance is a key element for sustainable business success and supporting the integrity and efficiency of the Company and its Subsidiaries, operations and long-term success. The Group is committed to establishing, maintaining and following strong corporate governance principles and best management practices in line with best local and international practices, as a basic requirement for delivering the Group's planned financial and business goals, achieving its expected business potential, and protecting the Group's investors, employees, partners, customers and reputation.

The Group's Directors are committed to ensure the openness and willingness to establish and follow the basic principles set by the best international practices in corporate governance, regularly disclose financial performance figures which are truthful and accurate, provide timely and accurate information about the Group's goals, activities and strategy to the investors and business partners. This is considered key in allowing the market to be able to assess and evaluate the various foreseeable or unpredicted risks and issues related to the implementation of the Group's business strategy. Among others, the Group has adopted and follows the basic principles of the Code, in order to establish strong business and governance ethics and apply those in its daily practice.

The five key specific principles adopted by Group's governing bodies are:

i. Fairness - Fair and ethical behaviour in all dealings is fundamental to the success of Group's business. Today, the Group already has an established image and proven operational principles of which a fundamental part is to act and deal in a fair and correct manner. As a result, the Group enjoys the trust and support of its partners, peers, customers and suppliers. The Group is committed to continue acting in accordance with the highest ethical and professional standards.
ii. Accountability - The Board's and management's commitment to accountability refers to the obligation and responsibility of the Group to always act responsibly and be able to give clear explanations or rationale for the Group's actions and conduct.
iii. Responsibility - The Board of Directors and management are given authority, as defined in the Articles and relevant regulations, to act on behalf of the Group, therefore they accept full responsibility for the powers that they are given and the authority that they exercise.
iv. Transparency - This is a key principle of responsible behaviour and good governance expected by a number of stakeholders, particularly the shareholders. The Board of Directors and Management ensure that the various bodies or structures of the Group operate and act in a transparent and accountable manner, provide timely and accurate reporting, and address in an open and transparent manner any issues or matters which are faced by the Group.
v. Corporate Social and Environmental Responsibility - In addition to the above four basic corporate governance principles, the Board of Directors and Management seek to adopt and follow the increasingly important principles of the corporate social and environmental responsibility in the day-to-day management practices at the Group.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Administrative, Management and Supervisory Bodies and Senior Management

The Board

The Group is managed by the Board of Directors consisting of not less than 4 (four) and not more than 8 (eight) Directors. Since the last Annual General Meeting, there have been seven Directors, of which four are non-executive, all of whom are entrusted with the overall direction, administration and management of the Group.

Each Director declares that he/she undertakes to

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

As of 31 December 2023, the Board of Directors of the Group consists of the following persons:

Name	Designation
Dr. Geza Szephalmi	Chairman and Executive Director
Dr. Andrei Imbroll	Chief Executive Officer and Executive Director
Julian Tzvetkov	Chief Financial Officer and Executive Director
Artur Haze	Non-executive Director, member of the Audit Committee
David Galea Souchet	Independent, Non-executive Director, Chairman of the Audit Committee
Isabella Vella	Independent, non-executive director and member of the Audit Committee
Dr. John Attard	Non-executive Director, member of the Audit Committee (appointed on 06 July 2023)

As of 31 December 2023, the Company Secretaries appointed are Dr Joseph Borg Bartolo and Dr Mikiel Calleja.

Board Meetings

During year 2023, there have been 6 board meetings held and several decision makings in writing. At the Annual General Meeting of the Group, the previous directors have been re-elected, and the number of directors was increased to seven.

The number of Board meetings attended by Directors for the year under review is as follows:

Members	Attended	
Andrei Imbroll	6	
Artur Haze	6	
David Galea Souchet	6	
Geza Szephalmi	6	
Isabella Vella	6	
Julian Tzvetkov	6	
John Attard	3	(appointed on 06 July 2023)

Information and professional development

The Group ensures that it provides its Directors with the necessary detailed and relevant information to enable them effectively contribute to board decisions. The Group is committed to provide any additional analysis, data, adequate and detailed information to its Directors, as that might be required to allow for efficient and relevant discussions prior to decision making. The Group pledges to make available to the Directors all information as required.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Appointment and Removal of Directors

The Directors of the Group are appointed at the General Meeting by the Shareholders in accordance with the provisions of the Articles of Association of the Group. The procedure for the appointment of Directors shall be as detailed and described in the Articles.

The Group shall grant a period of at least 14 days to Shareholders holding in aggregate 10% or more of the Shares to nominate one candidate for appointment as Director for every 10% held as aforesaid. All such nominations, including the candidate's acceptance to be nominated as director, shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the Company not later than 14 days after delivery of the said notice.

Whenever in terms of these Articles, an election is necessary amongst candidates nominated for appointment as Directors, such election shall be conducted in the manner prescribed by the Articles or in such manner as close as practicably possible thereto as the Directors may consider equitable in the circumstances.

Any Director may be removed at any time by the Group in General Meeting pursuant to the provisions of Article 140 of the Act. Without prejudice to the provisions of the Act, the office of a Director shall ipso facto be vacated:

- if, by notice in writing to the Group, he/she resigns from the office of director; or
- if he/she violates in a proven way the declaration of secrecy required of him/her under the Articles and the Board of Directors pass a resolution that he/she has so violated the declaration of secrecy; or
- if he/she is prohibited by or under any law from being a director; or
- if he/she is removed from office pursuant to the Articles or the Act.

A retiring Director shall be eligible for re-election or re-appointment.

Powers of Directors

The Directors are empowered to act on behalf of the Group in accordance with the Memorandum and Articles of Association, which powers may be widened or restricted from time to time by the Shareholders in General Meeting.

The general administration and management of the Group is entrusted with the Board of Directors, who are empowered and authorised to delegate any of its functions relating to the Group to members of the Group's management. The executive directors of the Company are entrusted with the executive management functions, including the management of the day-to-day operations, as defined in the Articles and described below.

Any one or more members of the Board of Directors may also occupy the position of Chief Executive Officer of the Group and may also occupy the position of members of the board of directors of subsidiaries or affiliate companies of the Group from time to time.

Evaluation of the Board's Performance

According to the statues of the Group and the relevant regulations, the Board regularly undertakes an annual evaluation of its performance and of its committees. The performance evaluation of each Board member shall be done by the Board of Directors, excluding the Board member being evaluated. The Chairman takes action on the result of the performance evaluation process in order to ascertain the strengths and to address the weaknesses, and reports to the Board and where appropriate to the Annual General Meeting of the Group.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Remuneration of Directors

The remuneration of the Directors in any one financial year, and any changes thereto, is determined by the General Meeting of the Group.

For the current reporting year under review, the Directors are each entitled to a gross annual remuneration of €10,000 from the date of their appointment.

Executive Directors

Any two of the Executive Directors acting jointly together have representation and execution rights on behalf of the Group to the extent permitted and as defined by the Memorandum of Association of the Group. In this respect, and in line with the good governance standards and internal control procedures implemented by the Group, the Memorandum of Association ties the legal representation and the signatory rights of the Group to predefined monetary threshold, with enhanced safeguards applicable to transactions of higher monetary value. The Group applies a dual signatory policy as determined in the Articles of the Group and other relevant Group regulations.

Any one Executive Director of the Group shall represent the Group in judicial proceedings, as defined in the Articles, provided that no proceedings may be instituted by the Group without the approval of the Board of Directors of the Group.

Chief Executive Officer

In terms of Article 65 of the Articles of Association, the Directors may from time to time appoint any person to the office of Chief Executive Officer (CEO) of the Group for such period and on such terms as they deem fit.

The Directors may entrust to and confer upon a CEO any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may deem fit and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Currently, the Executive Directors, among which the CEO was nominated, are nominated and provided under the Management Services Agreement with VBLM, which is a continuous arrangement dating back to the establishment of the Company and the details of which have been explained in the Listing Prospectus. The executive directors are also members of the Executive Committee of the Group.

The CEO is responsible for the Group's operative management and direction in accordance with the Articles, and the directions of the Executive Committee, the resolutions of the Board of Directors and the resolutions adopted by the General Meeting. The CEO has the responsibility to decide on the Group's organisational structure and relevant internal rules and regulations according to the Articles of the Group.

Declaration

None of the Directors, members of the board committees or members of management have, in the last five years:

- been the subject of any convictions in relation to fraudulent offences;
- been associated in any form with bankruptcies, receiverships or liquidations (other than voluntary) or companies put into administration in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Board Practices

The Directors have constituted the following committees, the terms of reference of which are determined by the Board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The primary objective of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, the audit process, financial policies and internal control structure, also overview the Group's system of internal controls and compliance with laws and regulations, as well as to ensure compliance with the relevant regulations of the Capital Markets Rules. The Audit Committee of the Group is elected among the Board members, as defined in the Articles and relevant regulations. The Audit Committee oversees the conduct of the annual audit process, and acts to facilitate communication between the Board, the Management and the Group's appointed auditors.

As at the date of this Report, the Audit Committee is composed of four members – Mr. David Galea Souchet (Chairman), Ms. Isabella Vella, Mr. Artur Haze, and Dr. John Attard. Mr. David Galea Souchet and Dr. John Attard are the Audit Committee members who are considered by the Board of Directors to be competent in accounting and/or auditing in terms of the Capital Markets Rules. The Committee is responsible for reviewing the financial reporting processes and policies, the system of internal control, management of financial risk, audit process, any transactions with related parties and the Group's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Group. Its primary objective is to assist the Board in dealing with issues of risk, control and governance and in reviewing the Group's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the annual financial audit and facilities communication between the Group's Board, management and appointed auditors.

The Audit Committee's main role and responsibilities are:

a) to review procedures and assess the effectiveness of the internal control systems, including financial reporting;
b) to assist the Board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the Group;
c) to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting;
d) to monitor and review the external audit functions, including the external auditor`s independence, objectivity and effectiveness;
e) to monitor and review the internal procedures and to monitor these on a regular basis;
f) to establish and maintain access between the internal and external auditors of the Group and to ensure that this is open and constructive;
g) to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the Board, focusing particularly on:
    i. critical accounting policies and practices and any changes in them;
    ii. decisions requiring a major element of judgement;
    iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
    iv. the clarity of disclosures and compliance with International Financial Reporting Standards;
    v. significant adjustments resulting from the audit;
    vi. compliance with stock exchange (as applicable) and other legal requirements; and

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Audit Committee - continued

vii. reviewing the Group's statement on Corporate Governance prior to endorsement by the Board;

h) to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
i) to establish and exercise oversight upon the internal audit function of the Group, and to review its plans, activities, staffing and organisational structure;
j) to monitor the statutory audit of the annual and consolidated accounts;
k) to discuss Group policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the Group; and
l) to consider other matters that are within the general scope of the Committee that are referred to it by the Board of Directors.

During 2023, the Audit Committee met 5 times in person or via video conference, out of which 2 meetings the Group's appointed auditors were present and attended the meetings.

The number of Audit Committee meetings attended by Members for the year under review is as follows:

Members	Attended	
Artur Haze	5	
David Galea Souchet	5	
Isabella Vella	5	
John Attard	2	(appointed on 06 July 2023)

Nomination Committee

The Board of Directors has formed a nomination committee, which was functional in the reporting period. The forming and operation of the Nomination Committee was in compliance with the principle of the Code. The proposals of the nomination committee were put forward for decisions of the Board of Directors and presented to the shareholders, accordingly.

Executive Management Committee (EMC)

The Executive Management Committee is the main operational body of the Group, ensuring smooth and efficient day-to-day operations and control, in line with the strategic operational decisions of the Board. The EMC consists of the Executive Directors, senior management including the CEO, CFO and COO and any other managers of the Group as might be appointed to the EMC, from time to time.

The EMC is represented at the Board of Directors by the Chief Executive Officer. Within the EMC, there is a clear division of responsibilities between the members, covering all areas of the executive responsibility for the running of the Group's business. The EMC ensures that no one individual or small group of individuals has an unlimited power of decision in day-to-day operations.

Relations with Shareholders and with the Market

The Group is highly committed to having an open and communicative relationship with all its shareholders. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of financial statements and Group announcements, the Group seeks to keep an updated and informative website, and to address any information needs of the shareholders, in various ways.

The Group has announced a Shareholders' Loyalty Programme which is regularly updated and communicated with the Shareholders.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Relations with Shareholders and with the Market - continued

In line with its public status and relevant regulation, the Group regularly releases its financial reports and group announcements, which are published through the Malta Stock Exchange, and are simultaneously published on the Investors' section of the Group's website.

Conflict of Interest

The Board is fully aware of its obligations regarding dealings in securities of the Group as required by the Capital Markets Rules and the related disclosures in case of such dealings. Related party transactions and dealings are also disclosed as required, in compliance with the applicable rules and also disclosed in the relevant section of the Annual Consolidated Financial Statements.

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Consolidated Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2023 €	2022 €
Revenue	3	**3,245,679**	2,316,112
Investment income	4	**2,042,475**	6,874,185
Cost of sales	5	**(1,696,305)**	(1,168,215)
Gross profit		**3,591,849**	8,022,082
Other operating income	6	**28,403**	8,230
Administrative expenses	5	**(1,045,523)**	(897,336)
Earnings before interest, tax, depreciation and amortisation		**2,574,729**	7,132,976
Depreciation and amortisation	5	**(312,661)**	(280,459)
Operating income		**2,262,068**	6,852,517
Interest income	7	**10,067**	7,084
Impairment on inventory	5	**-**	(65,618)
Receivable written off	5	**(20,358)**	-
Finance costs	8	**(230,736)**	(190,446)
Profit before income tax		**2,021,041**	6,603,537
Income tax expense	9	**(321,970)**	(280,502)
Profit for the year		**1,699,071**	6,323,035
Total comprehensive income for the year		**1,699,071**	6,323,035
Earnings per share	26	**0.0068**	0.0258

The notes on pages 26 to 49 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2023 €	2022 €
ASSETS			
Non-current assets			
Intangible assets	10	**96,409**	114,644
Property, plant and equipment	11	**800,035**	852,618
Investment properties	12	**77,127,963**	73,663,640
Investment in a subsidiary	13	**1,200**	1,200
Loans receivable	14	**-**	113,711
Deferred tax assets	15	**142,114**	225,451
		78,167,721	74,971,264
Current assets			
Non-current asset held for sale	16	**-**	510,000
Inventory	17	**1,551**	271,176
Current tax receivable		**-**	14,968
Loans receivable	14	**119,961**	-
Trade and other receivables	18	**261,771**	402,429
Cash and cash equivalents	19	**931,866**	1,347,348
		1,315,149	2,545,921
TOTAL ASSETS		**79,482,870**	77,517,185
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	**49,835,837**	49,608,529
Share premium	20	**1,085,638**	1,017,446
Other reserves	20	**329,895**	352,646
General reserves	20	**1,218**	1,218
Retained earnings	20	**14,179,889**	12,625,816
TOTAL EQUITY		**65,432,477**	63,605,655
Non-current liabilities			
Borrowings	21	**7,842,118**	7,877,586
Lease liabilities	22	**270,639**	286,253
Deferred tax liability	23	**4,373,858**	4,165,673
Trade and other payables	24	**106,485**	88,775
		12,593,100	12,418,287
Current liabilities			
Borrowings	21	**428,513**	337,671
Lease liabilities	22	**16,152**	13,538
Trade and other payables	24	**1,012,628**	1,142,034
		1,457,293	1,493,243
TOTAL LIABILITIES		**14,050,393**	13,911,530
TOTAL EQUITY AND LIABILITIES		**79,482,870**	77,517,185

The notes on pages 26 to 49 are an integral part of these consolidated financial statements.

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Consolidated Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	General reserves €	Retained earnings €	Total €
Balance at 1 January 2022	48,894,243	731,733	375,397	1,218	6,427,779	56,430,370
Total comprehensive income						
- Profit for the year	-	-	-	-	6,323,035	6,323,035
	-	-	-	-	6,323,035	6,323,035
Transactions with owners in their capacity as owners						
- Issuance of shares	714,286	285,713	-	-	-	999,999
- Dividends declared during the period (Note 20)	-	-	-	-	(160,000)	(160,000)
	714,286	285,713	-	-	(160,000)	839,999
Transfer from revaluation reserve to retained earnings, net of deferred tax	-	-	(22,751)	-	35,002	12,251
Balance at 31 December 2022	**49,608,529**	**1,017,446**	**352,646**	**1,218**	**12,625,816**	**63,605,655**
Balance at 1 January 2023	49,608,529	1,017,446	352,646	1,218	12,625,816	63,605,655
Total comprehensive income						
- Profit for the year	-	-	-	-	1,699,071	1,699,071
	-	-	-	-	1,699,071	1,699,071
Transactions with owners in their capacity as owners						
- Issuance of shares	227,308	68,192	-	-	-	295,500
- Dividends declared during the period (Note 20)	-	-	-	-	(180,000)	(180,000)
	227,308	68,192	-	-	(180,000)	115,500
Transfer from revaluation reserve to retained earnings, net of deferred tax	-	-	(22,751)	-	35,002	12,251
Balance at 31 December 2023	**49,835,837**	**1,085,638**	**329,895**	**1,218**	**14,179,889**	**65,432,477**

The notes on pages 26 to 49 are an integral part of these consolidated financial statements

STATEMENT OF CASH FLOWS

	Notes	2023 €	2022 €
Cash flows from operating activities			
Profit before tax		**2,021,041**	6,603,537
Depreciation and amortisation	5	**312,661**	280,459
Provision for expected credit losses	18	**-**	39,055
Receivable written off	5	**20,358**	-
Investment income	4	**(2,042,475)**	(6,874,185)
Impairment on inventory		**-**	65,618
Interest income	7	**(10,067)**	(7,084)
Interest expense	8	**230,736**	190,446
Cash flows generated before working capital changes		**532,254**	297,846
Increase in inventories		**(375)**	(271,176)
Decrease/(increase) in trade and other receivables		**190,985**	(22,225)
(Increase)/decrease in trade and other payables		**(216,103)**	618,396
Net cash flows generated from operating activities		**506,761**	622,841
Cash flows from investing activities			
Purchase of intangible assets	10	**(25,000)**	-
Purchase of property, plant and equipment	11	**(22,650)**	(14,664)
Proceeds from sale of investment property		**467,100**	850,000
Acquisition of investment properties		**(965,597)**	(6,278,086)
Net cash flows used in investing activities		**(546,147)**	(5,442,750)
Cash flows from financing activities			
Net proceeds from issuance of share capital		**295,500**	-
Interest paid on borrowings		**(514,481)**	(170,214)
Withholding tax paid		**-**	(8,000)
Dividends paid		**(180,000)**	(160,000)
Movement in borrowings		**55,374**	4,589,354
Principal lease payments	22	**(13,000)**	(11,443)
Interest paid on leases	22	**(19,489)**	(20,232)
Net cash flows (used in)/generated from financing activities		**(376,096)**	4,219,465
Net decrease in cash and cash equivalents		**(415,482)**	(600,444)
Cash and cash equivalents at the beginning of the year		**1,347,348**	1,947,792
Cash and cash equivalents at end of year	21	**931,866**	1,347,348

The notes on pages 26 to 49 are an integral part of these consolidated financial statements.

Significant non-cash transactions

During the year ended 31 December 2023, the Group did not have any significant non-cash transactions.

During the year ended 31 December 2022, the Group issued 3,571,428 €0.20 par value ordinary shares at €0.28 each amounting to €999,999 as non-cash consideration for the acquisition of an investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION

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

Basis of preparation

These consolidated financial statements are prepared under the historical cost convention, except for revaluation of investment properties that are measured at fair value at end of each reporting period. These consolidated financial statements are prepared in accordance with the provisions of the Maltese Companies Act (Cap. 386) and with the requirements of International Financial Reporting Standards ("IFRS Accounting Standards") as adopted by the European Union ('EU').

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 to these consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Euro (€) which is the Group's functional and presentation currency.

New or amended standards, interpretations and amendments adopted

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

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term 'significant' was replaced with 'material' in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information, the Group considers the size of transactions, other events or conditions and their nature.

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

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

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

New or amended standards, interpretations and amendments issued but not yet effective

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its active subsidiaries that it controls. Subsidiaries are companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

These consolidated financial statements comprise the Company and its wholly-owned active subsidiary, VREM Limited. Silver Horse Block Limited is an inactive project company, not consolidated and has no material impact on the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All material intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the value of goods sold and services provided, net of sales rebates and taxes in the normal course of business, net of value added tax and discounts where applicable.

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Sale of investment property

Sale of investment property is recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the Group's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale.

Rental income

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

Tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Tax - continued

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Cost includes expenditure directly attributable to the acquisition of the items as well as transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Depreciation is provided on all items of property, plant and equipment, except freehold land and assets under construction, at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Building improvements	2% Straight Line
Office equipment	20% Straight Line
Furniture and fixtures	20% Straight Line
Other assets	20% Straight Line

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each end of the reporting period. The carrying amount of an asset is written down immediately to its recoverable amount.

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

Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value at the date of the valuation, less any subsequent accumulated depreciation (Note 12). Gains and losses arising from changes in fair values are recorded in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Investment properties - continued

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair values does not assume that either the underlying assets are marketed for sale at the reporting date or that there is an intention to sell it in the near future.

The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

The fair value of investment properties is largely based on estimates using property appraisal techniques as outlined in Note 12 to these consolidated financial statements. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the fair valued amount, less any estimated residual value, over their estimated useful lives, on the following bases:

Improvements	2% Straight Line
Furniture, fixtures and fittings	20% Straight Line

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its cost or fair value at the reclassification date becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until development is complete. Thereafter it is classified and accounted for as an investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under International Accounting Standards ('IAS') 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss.

Intangible assets

Trademark and licences

Trademarks and licences are valued at cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 10 years.

Non-compete rights

The non-compete rights are valued at cost and are amortised over the period of 5 years.

Brand

The value of brand name is recognised following acquisition. Brand name acquired over the past period (together with other assets, in complex transaction), has been valued to assess the actual incremental value it provides to the Group's operations and its value has been based on estimated income. The brand name is being amortised over 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Investment in subsidiaries

Subsidiaries are all those entities over which the Group has control, i.e., when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Investment in subsidiaries is initially recognised at cost, being the fair value of the consideration given, including acquisition costs and are subsequently carried at cost less accumulated impairment losses, if any.

Dividend income is recognised when the Group's right to receive payment is established.

Inventories

Properties are classified as inventory where the objective is for resale purposes or where there is a change in use of investment property when there is an intention to sell. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Inventories are carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property together with other costs incurred during the subsequent development, including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities, Equity instruments are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost. Equity instruments are not subject to impairment assessment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments - continued

Impairment of financial assets - continued

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

For trade receivables, the Group applies a simplified approach to measuring ECLs which recognises lifetime ECLs. The ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Segment reporting

The Board of Directors determines the operating segments in accordance with the requirements of IFRS 8 ‘Operating Segments’.

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components, and for which discrete financial information is available. An operating segment’s operating results are reviewed regularly by the Board of Directors. The Board of Directors considers the Company to be made up of one operating segment.

Leases

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Leases - continued

Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group’s accounting policies, which are described in Note 1 to these consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical and other factors, including expectations of future events that are believed to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

In the opinion of the Directors, with the exception of the fair valuation of investment properties (Note 12), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

3. REVENUE

	2023	2022
	€	€
Rental income	**2,992,992**	2,165,750
Management fees	**89,974**	79,620
Other revenue	**162,713**	70,742
	3,245,679	2,316,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. INVESTMENT INCOME

	2023	2022
	€	€
Increase in fair value of investment property	**1,965,338**	7,666,656
Realised gain/(loss) on sale of investment property	**77,137**	(724,933)
Impairment on property held for sale	**-**	(67,538)
	2,042,475	6,874,185

The €1,965,338 (2022: €7,666,656) relates to an increase in fair value of investment property resulting from concluded acquisitions, ongoing development activity and applicable adjustments, which are considering property specific conditions, namely development project status or operational conditions.

5. EXPENSES BY NATURE

	2023	2022
	€	€
Direct costs	**1,696,305**	1,168,370
Employee benefit expense (i)	**566,414**	418,021
Directors' fees	**64,883**	65,000
Auditors' remuneration:		
Audit fee	**18,500**	16,500
Other non-assurance services	**950**	950
Impairment	**-**	65,618
Receivable written off	**20,358**	-
Depreciation and amortisation	**312,661**	280,459
Other administrative expenses	**394,776**	396,710
	3,074,847	2,411,628

(i) Employee benefit expense

	2023	2022
	€	€
Salaries and wages	**502,344**	289,944
Social security and maternity fund contributions	**28,990**	21,752
Outsourced personnel	**144,004**	165,266
Capitalised salaries	**(108,924)**	(58,941)
	566,414	418,021
Average number of employees	**17**	14

During the year 2023, staff salaries of €108,924 have been capitalised to investment property (2022: €58,941).

6. OTHER OPERATING INCOME

	2023	2022
	€	€
Miscellaneous income	**28,403**	8,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. INTEREST INCOME

	2023	2022
	€	€
Loan interest	**10,067**	7,084

8. FINANCE COSTS

	2023	2022
	€	€
Interest on bank loan	**207,609**	102,926
Interest on lease liabilities	**19,489**	20,232
Other finance costs	**3,638**	67,288
	230,736	190,446

9. INCOME TAX EXPENSE

Tax is provided for at the rate of 35% for Group profits, except for certain bank interest receivable which is taxed at 15% and sale of property which is taxed at 5%.

	2023	2022
	€	€
Current year tax		
Income tax on the taxable income for the year	**18,197**	-
Final withholding tax	**-**	8,000
Deferred tax		
Movement in deferred tax asset (Note 15)	**83,337**	(15,524)
Movement in deferred tax liability (Note 23)	**208,185**	275,775
Movement in revaluation reserve	**12,251**	12,251
	321,970	280,502

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	2023	2022
	€	€
Profit on ordinary activities before tax	**2,021,041**	6,603,537
Theoretical tax expense at 35%	**707,364**	2,311,239
Tax effect of:		
Expenses disallowable for tax purposes	**302,474**	652,593
Movement in the effect of fair value gain on investment property	**(687,868)**	(2,683,330)
	321,970	280,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. INTANGIBLE ASSETS

	Licences	Non-compete rights	Brand	Total
	€	€	€	€
Cost				
At 1 January 2023	349	150,000	41,000	191,349
Additions	-	-	25,000	25,000
At 31 December 2023	**349**	**150,000**	**66,000**	**216,349**
Provision for diminution value				
At 1 January 2023	305	60,000	16,400	76,705
Amortisation for the year	35	30,000	13,200	43,235
At 31 December 2023	**340**	**90,000**	**29,600**	**119,940**
Net book value				
At 31 December 2022	44	90,000	24,600	114,644
At 31 December 2023	**9**	**60,000**	**36,400**	**96,409**

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Building improve-ments	Office equipment	Furniture and fixtures	Other assets	Total
	€	€	€	€	€	€
Cost						
At 1 January 2023	1,035,369	100,806	37,577	43,104	233,870	1,450,726
Additions	-	-	3,989	-	18,661	22,650
At 31 December 2023	**1,035,369**	**100,806**	**41,566**	**43,104**	**252,531**	**1,473,376**
Depreciation						
At 1 January 2023	322,112	20,838	31,939	25,568	197,651	598,108
Charge for the year	46,016	2,016	5,524	1,257	20,420	75,233
At 31 December 2023	**368,128**	**22,854**	**37,463**	**26,825**	**218,071**	**673,341**
Net book value						
At 31 December 2022	713,257	79,968	5,638	17,536	36,219	852,618
At 31 December 2023	**667,241**	**77,952**	**4,103**	**16,279**	**34,460**	**800,035**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INVESTMENT PROPERTIES

	Right-of-use assets €	Investment properties €	Total €
Fair Value			
At 1 January 2023	1,096,669	73,637,963	74,734,632
Additions	3,364	1,339,814	1,343,178
Transfers from non-current assets held for sale	-	350,000	350,000
Fair value movement	(52,656)	2,017,994	1,965,338
At 31 December 2023	**1,047,377**	**77,345,771**	**78,393,148**
Provision			
At 1 January 2023	101,669	969,323	1,070,992
Depreciation	10,708	183,485	194,193
At 31 December 2023	**112,377**	**1,152,808**	**1,265,185**
Net book value			
At 31 December 2022	995,000	72,668,640	73,663,640
At 31 December 2023	**935,000**	**76,192,963**	**77,127,963**

Depreciation relates to the depreciation of improvements and furniture currently included in Investment Property. The depreciable amount is allocated on a systematic basis to each accounting period over its useful life.

Lessor commitments

	2023 €	2022 €
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	**372,545**	381,454
Between 1 and 2 years	**384,607**	389,739
Between 2 and 3 years	**384,752**	402,268
Between 3 and 4 years	**390,053**	402,944
Between 4 and 5 years	**331,575**	408,791
Over 5 years	**763,847**	1,275,919
	2,627,379	3,261,115

Fair value of investment property

The book value of the property held by the Group has been increased by €1,965,338 (2022: €7,666,656) to reflect the established fair value as at 31 December 2023, reflecting several different factors and adjustments to the individual property values, including the downward adjustment to certain property categories resulting from the market changes and developments of the past two years, and reflecting improvements and additions to the portfolio during the year, resulting from the acquisition and development activity of the Group.

It is important to note that the Group has not recognised any value over the costs incurred for its contracts and promises of sale of property which have not yet been fully acquired, but binding contracts are existing, and is conservatively left out of the book value of the Group.

The Group considers that the current macroeconomic conditions (e.g. high interest rates, yields and vacancy expectations) are properly reflected in its fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INVESTMENT PROPERTIES - continued

Valuation process

As is usually done by the Group, on an annual basis, during the reporting year it has carried out a full property valuation exercise, performed by an independent professional valuer to assess the market value of its assets, whether these are owned or leased. The report was prepared by Edwin Mintoff Architects (EMA) in their capacity of a warranted architect and civil engineers, as independent asset valuers. This full valuation report was prepared on a market value basis, based on the principles defined by the Royal Institute of Chartered Surveyors (‘RICS’) Standards and applicable adjustments, which are made for property specific conditions, namely development project status or operational conditions and completed in January 2024, as part of the annual asset valuation exercise.

On this basis, the Board of Directors has made its own assessment which has considered the overall valuation values of the independent reports but was also assessing the various specific developments and adjusted for property-specific status of the ongoing development projects, as well as the investment value potential for the Group’s asset portfolio. The assessment of the fair market value of the Group’s asset portfolio performed by the Board of Directors as at the end of the reporting period is considered conservative and is based on careful assessment of the available independent valuation reports, market information and consideration of the actual market conditions and forecasts.

Valuation techniques

It should be noted that the actual price (liquidation value) which the Group might obtain, if forced to sell all properties in the short term, might be lower than the estimated figures accepted as fair market value of the specific assets, as this is usual in similar cases. In addition, there are several risks and discount factors associated specifically with the nature and operation of the Group’s strategy and its line of business, which were taken into account in establishing the fair market value of the properties and related assets reflected in the Directors assessment, namely:

- Ability to match the forecasted schedule and development budgets;
- Securing the necessary finance for all development related expenses (beyond the currently available funds) for all the projects within a short time frame might prove difficult;
- Securing the necessary development and operational permits within a relatively short time frame for all the planned development projects might not materialize in time, resulting in delays or undue strain on resources and finance and overall increased development costs and delayed proceeds from operation;
- Finding prospective buyers or partners or operators for some or all the projects within a short time frame might not be possible at the forecasted terms and conditions;
- The development and execution risks required to make some of these properties operational (particularly the Silver Horse Block Phase 2 project) are considered high; and
- The impact of changing general market conditions and regulatory risks associated with the operation of finished and managed properties is a risk itself.

Directors’ assessment

As of the end of year 2023, the Directors’ Valuation Report of the Group represents conservatively updated values for each of the assets of the Group, but adjusted for the specific developments of some properties which are under development or change in legal status (contracts), as also recommended by the Guidance Note of Kamara tal-Periti (KtP) and as usual under the standard industry practices. The Directors’ valuation has not reflected any additional value of pre-sale agreements, or new management contracts signed in 2023.

Nevertheless, based on independent experts’ opinions and other available information, the Directors are at the opinion that the Valletta property market is significantly less vulnerable to the short-term volatility than other property markets in Malta and there is no material adverse change experienced in market values as of the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. INVESTMENT PROPERTIES - continued

Given the above, as of 31 December 2023, the Directors approved a total value of the properties of the Group amounting to €77,127,963 (2022: €73,663,640). It is to be noted that the Directors established their valuation report considering the recommendations of the independent valuers' report for adjustments of the fair market value in specific assets of the Group's owned properties, as a result of the market changes and current conditions experienced in the Valletta property market. Projects under development or completed but not yet operational at the time of the valuation were reflected based on the actual estimated project value, at the time, with values of fully developed assets to be realised at full completion.

The Directors have also confirmed that the long-term operational expectations remain unchanged in terms of projected long-term achievable revenues and operational profitability from operation or sale of the fully developed assets of the Group.

The Group uses the application of IFRS 16 which permits the recognition of leased properties in the statement of financial position. Also, the Group considers managed properties at the same approach as leased, based on the long-term contracts with owners and de facto control of these properties.

13. INVESTMENT IN SUBSIDIARY

Subsidiary	Registered address	Class of shares	% of ownership	
Silver Horse Block Ltd	Malta 54, Marsamxett Road Valletta VLT 1853 Malta	Ordinary Shares	**100**	100

Silver Horse Block Ltd was established in 2017 as a SPV for development projects, currently holding no material assets, not commencing any activity nor being inactive. The Group recognises the investment in Silver Horse Block Ltd at its cost of €1,200 (immaterial for group and hence, not consolidated).

The following table summarises the financial information of the Group's subsidiary as at and for the year ended 31 December 2023.

	Capital and reserves	Profit
Subsidiary	**€**	**€**
Silver Horse Block Ltd	10,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. LOAN RECEIVABLE

	2023	2022
	€	€
Loan receivable (non-current) (i)	**-**	113,771
Loan receivable (current) (i)	**119,961**	-
	119,961	113,371

(i) Loan receivable bears 6% interest rate per annum and is expected to be collected in June 2024.

15. DEFERRED TAX ASSETS

The asset for deferred tax is analysed as follows:

	2023	2022
	€	€
Excess of capital allowances over depreciation	**(82,340)**	(72,310)
Unabsorbed tax losses and capital allowances	**124,077**	297,761
Lease liabilities	**100,377**	-
	142,114	225,451

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provision was made for deferred tax for all temporary differences, except of fair value adjustment for investment property, on the basis of the liability method using a principal tax rate of 35%. The deferred tax asset movement is made up of:

	2023	2022
	€	€
Balance at beginning of the year	**225,451**	209,930
Movement in the excess of capital allowances over depreciation	**(10,031)**	(15,221)
Movement in unabsorbed tax losses and capital allowances	**(173,683)**	30,742
Recognition of deferred tax asset on lease liabilities	**100,377**	-
Balance at end of year	**142,114**	225,451

16. NON-CURRENT ASSETS HELD FOR SALE

In 2022, the Group has decided to dispose some of its assets in the city of Valletta. For some of these properties, a promise of sale agreement was signed in December 2022 and transaction was closed 2023.

As at 31 December 2023, the Group does not hold any non-current assets for sale.

17. INVENTORY

In 2022, the Group decided to dispose some of its non-core assets, which were not part of the development plans or not in the city of Valletta, and as such not representing a strategic value. The sale was executed during the year under review.

As at 31 December 2023, the Group does not hold any inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. TRADE AND OTHER RECEIVABLES

	2023	2022
	€	€
Trade receivables (i)	**214,364**	283,310
VAT refundable	**-**	14,015
Other receivables	**33,492**	25,902
Prepayments and accrued income	**52,970**	118,257
	300,826	441,484
Provision for expected credit losses	**(39,055)**	(39,055)
	261,771	402,429

(i) Trade receivables are non-interest bearing and are generally on a 30-day term.

The Group's exposure to credit risk and impairment losses relating to trade and other receivables is disclosed in Note 27.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2023	2022
	€	€
Cash at bank and in hand	**931,866**	1,347,348

20. SHARE CAPITAL AND RESERVES

	2023	2022
	€	€
Share Capital		
Authorised:		
330,000,000 Ordinary shares of €0.20 each	**66,000,000**	66,000,000
Issued and fully paid:		
249,179,183 Ordinary shares in 2023 and		
248,042,645 Ordinary shares in 2022 of €0.20 each	**49,835,837**	49,608,529

The issued share capital of the Group currently consists of 249,179,183 ordinary shares (2022: 248,042,645), of €0.20 each (2022: €0.20). The authorised share capital currently consists of 330,000,000 ordinary shares, of €0.20 each.

During the year ended 31 December 2023, the Group issued 1,136,538 number of ordinary shares, €0.20 each, at a premium of €0.06 each, for cash consideration.

As at 31 December 2023, the market price of the ordinary shares on the Malta Stock Exchange ("MSE") was €0.23 each (based on the last trading of shares prior to the end of the year). The trading volume of the Group's shares on MSE is very low compared to the total value of outstanding shares, the free float and the total asset value, and therefore it is considered non-representative as an indication of fair market value of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. SHARE CAPITAL AND RESERVES - continued

The Ordinary shares of the Group participate equally in any payment of dividends or any distribution and return of capital and carry identical rights and voting rights, as specified in the Memorandum and Articles of Association the Group.

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount subscribed for share capital in excess of par value.
General reserve	The amount of the issued share capital reduction after the restructuring of the Group completed in 2019, retained in the Group, not distributed to the shareholders.
Other reserves	Non-distributable reserves for fair value revaluation on the office building.
Retained earnings	All other net earnings or profit after accounting for dividends.

During the year ended 31 December 2023, dividends amounting to €180,000 (0.0726 Euro Cents per ordinary share) (2022: €160,000) were paid.

21. BORROWINGS

	2023	2022
	€	€
Non-current		
Bank borrowings	**7,842,118**	7,877,586
Current		
Bank borrowings	**428,513**	337,671

Bank borrowings

The Company has obtained a bank loan under the MDB-guarantee scheme provided to support businesses following the Covid-19 outbreak, which has a subsidised interest rate, in compliance with the MDB loan programme and relevant EU regulations, which results in effective interest rate significantly below market rate. The loan is being amortised as planned.

During 2022, the Company secured a long-term loan facility of €14,500,000, structured to reflect the Company's financing needs, and to secure the necessary funding for its development and acquisitions programme. This loan facility is repayable over a period of 15 years, and is structured into specific, dedicated utilisation purposes. During the year 2023, the Company continued utilising the facility, as per planned schedule, while significant portion of the development loan facility remain unutilised.

The loan facility is secured by a general hypothec over the Company's assets, and special hypothecs over the properties developed under the facility.

The applicable costs of the development banking facilities (e.g. processing fees, commitment fees, legal and professional fees directly related to the facility), were partially recognised in the Statement of Comprehensive Income during the year, in line with the applicable accounting standards, and partially capitalised on Investment Property, as considered capital expenditure related to development of the Company's properties. The amount of borrowing costs capitalised during the year ended 31 December 2023 was €377,581 (2022: nil).

The carrying amounts of the bank borrowings are reasonable approximations of their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. LEASE LIABILITIES

The Group leases properties which are utilised in the operations or operated as investment properties, under agreements of between ten to twenty-five years, in some cases with options to extend. The lease contracts have various escalation clauses. On renewal, the terms of the leases are renegotiated.

	2023	2022
	€	€
Minimum lease payments		
Due after more than five years	**277,709**	308,708
Due after one year but within five years	**128,038**	131,835
Due within one year	**34,796**	33,025
Total gross lease liabilities	**440,543**	473,568
Discounting	**(153,752)**	(173,777)
Present value of lease liabilities	**286,791**	299,791

Movements in lease liabilities during the year are as follows:

	2023	2022
	€	€
At 1 January	**299,791**	311,234
Interest expense	**19,489**	20,232
Gross lease payments	**(32,489)**	(31,675)
At 31 December	**286,791**	299,791

	2023	2022
	€	€
Non-current portion	**270,639**	286,253
Current portion	**16,152**	13,538
At 31 December	**286,791**	299,791

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

	2023	2022
	€	€
Depreciation	**56,724**	62,214
Interest expense	**19,489**	20,232
	76,213	82,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. DEFERRED TAX LIABILITIES

	2023	2022
	€	€
Effect of fair value movement on investment property	**4,290,677**	4,165,673
Right-of-use assets	**83,181**	-
	4,373,858	4,165,673

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provision was made for deferred tax for all temporary differences on the basis of the liability method using a principal tax rate at 35%/5%.

	2023	2022
	€	€
Balance at beginning of the year	**4,165,673**	3,889,901
Movement of investment property fair value	**125,004**	275,772
Recognition of deferred tax liability on right-of-use assets	**83,181**	-
Balance at end of year	**4,373,858**	4,165,673

The Group is calculating its deferred tax liability on investment property at 5%, being the rate applied if it had to sell its properties within 5 years of acquisition.

24. TRADE AND OTHER PAYABLES

	2023	2022
	€	€
Non-current		
Amounts due to third parties (i)	**-**	16,385
Deposits on lease agreements	**106,485**	72,390
	106,485	88,775
Current		
Trade payables (ii)	**255,087**	512,287
Accruals and other payables	**691,678**	272,176
Deposits on properties	**3,574**	54,571
Amounts due to shareholder (iii)	**34,000**	273,000
Amounts due to third parties (i)	**16,385**	30,000
Contract liabilities	**11,904**	
	1,012,628	1,142,034

(i) The amounts due to third parties represent - among others - balances due arising from the purchase of properties. The balance payable is reflected in the Group's accounts.

(ii) Trade payables are non-interest bearing and are normally on 30 to 60 day term.

(iii) The amounts owed to shareholder are fees owed for executive management services based on a service contract. These are unsecured, interest-free, and repayable on demand.

The Group's exposure to liquidity risk relating to trade and other payables is disclosed in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

25. RELATED PARTY TRANSACTIONS AND DISCLOSURES

The Group has related party relationships with some of its investors or companies over which the Directors exercise significant influence. Transactions are carried out with related parties on a regular basis and in the ordinary course of the business.

In the opinion of the Directors, there is no ultimate controlling party of the Group, since no shareholder of VBL Plc has more than 25% of voting rights.

During the year ended 31 December 2023, transactions related to VBLM Limited are included in the related party transactions as detailed below.

During the year, the Group entered into transactions with related parties as set below.

	2023	2022
	€	€
Rental revenue - Gold Landlord	**5,098**	58,272
Directors travel reimbursement	**2,015**	1,129
Management fees expenses - VBLM	**100,000**	100,000
Capitalised property development expenses - VBLM	**300,000**	300,000

The outstanding amounts arising from transactions with the related parties are disclosed in Note 24 to these consolidated financial statements.

26. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to equity holders of the Group	**€1,699,071**	€6,323,035
Weighted average number of shares in issue	**248,048,873**	245,036,691
Basic and diluted earnings per share	**€0.0068**	€0.0258

The Group has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

27. FINANCIAL RISK MANAGEMENT

The Group's activities potentially expose it to a variety of financial risks such as market risk (including equity price change risk and interest rate risk), credit risk, and liquidity risk. The Group 's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group 's financial performance. The Group did not make use of derivative financial instruments to hedge certain risk exposure during the current and preceding financial periods.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of variable interest rate risks or applying fixed interest rates, and ageing analysis for credit risk.

Risk management is carried out by senior finance executive (‘finance’) under policies approved by the Directors. These policies include identification and analysis of the Group and appropriate procedures, controls and risk limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices (e.g. foreign exchange rates, interest rates and equity prices) will affect the Group's income or the value of its holdings of financial instruments.

Company's currency of operation is Euro, all revenues and payables are defined, contracted and accounted in Euro.

The Group is exposed to changes in equity prices and interest rates.

Equity price change risk

The Group is exposed to changes in equity prices ("price risk") in respect of its listed shares, which is not a Group -specific risk, but it is a risk of the equity investors and shareholders. Therefore, the price risk is a relevant risk from the point of view of the Group's shareholders (investors), holding the listed securities.

The price risk is significantly dependent on the local and global stock market's specifics, the equity trading trends, actual trading volumes and other specifics of the equity market at the Malta Stock Exchange (MSE), and it is less dependent on the Group's actual financial or market performance. It is to be noted that the average trading volume of Group's shares on the stock exchange is very low, both compared to the Group's total equity and property value. During the reporting year 2023, the Group's revenues, overall financial performance and asset values have improved significantly, while the share prices have decreased amidst low trading volume compared to the Group's actual book value. Therefore, the actual changes in equity prices are considered not representative of the Company's actual market or asset value.

The investments in listed equity securities are considered as long-term strategic investment and is regulated and monitored by local authorities, including MFSA, and EU level regulation and authorities. The Directors continuously monitor the stock prices of the Group and assess the impact of potential stock price changes to the Group.

While the experienced trading volumes and cumulative trade in the Group's shares during the year were very low compared to the v's book value, the following table illustrates the theoretical sensitivity and change of market capitalisation to a possible change in market price.

	Change €	Increase/ (decrease) in profit for the year €	Increase/ (decrease) in equity €
2023	**(0.04)**	**-**	**(9,967,167)**
2022	(0.04)	-	(9,921,706)

Interest rate risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group was exposed to changes in market interest rates through its bank borrowings which incurred variable interest rates in the first part of year 2023. The Group has significantly reduced this risk by negotiating and securing a fixed interest on it's the entire development loan, applicable from the fourth quarter of year 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Interest rate risk - continued

The following table illustrates the sensitivity to a reasonably possible change in interest rates. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Change Basis points	Increase/ (decrease) in profit for the year €	Increase/ (decrease) in equity €
EURIBOR			
2023	-	-	-
	-	-	-
2022	+10	8,215	8,215
	-10	(8,215)	(8,215)

Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash at bank and receivables. The Group's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution, to the extent possible. The Group has appropriate policies to ensure that sales of properties and provision of services are made to customers with appropriate credit history, or where this is not possible or practical, alternative risk mitigating practices are applied. In this respect, credit risk with respect to receivables is monitored continuously and the Group places a specific provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible, and, in this respect, the Group has no significant concentration of credit risk. The Group’s calculated expected credit losses is immaterial.

	Aging	**2023** €	2022 €
Financial asset			
Loan receivable	June-2024	**119,961**	113,711
Trade and other receivables		**261,771**	388,414
Cash and cash equivalents		**931,866**	1,347,348

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by maintaining adequate reserves and banking facilities to meet its abilities when due, under both normal and stressed conditions. The Directors do not foresee and are unaware of any circumstances whereby the Group would not honour its commitment.

Unused borrowing facilities as at 31 December were as follows:

	2023 €	2022 €
Bank overdrafts	**500,000**	-
Bank borrowings	**7,292,651**	7,660,766
	7,792,651	7,660,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Within one year €	One to five years €	More than five years €
2023			
Financial assets:			
Cash and cash equivalents	**931,866**	**-**	**-**
Trade and other receivables	**82,217**	**-**	**-**
Loans receivable	**119,961**	**-**	**-**
	1,134,044	**-**	**-**
Financial liabilities:			
Bank borrowings	**817,864**	**1,861,769**	**8,274,182**
Lease liabilities	**34,796**	**132,238**	**277,709**
	852,660	**1,994,007**	**8,551,891**
2022			
Financial assets:			
Cash and cash equivalents	1,347,348	-	-
Trade and other receivables	402,429	-	-
Loans receivable	-	113,711	-
	1,749,777	113,711	-
Financial liabilities:			
Bank borrowings	416,676	2,646,633	8,307,182
Lease liabilities	33,025	131,835	308,708
	449,701	2,778,468	8,615,890

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists mainly of cash and cash equivalents as disclosed in Note 19, items presented within equity in the statement of financial position and borrowings as disclosed in Note 20 and Note 21, respectively.

The Group's Directors manage the Group's capital structure and make adjustments to it, in the light of changes in economic conditions and according to the originally disclosed strategy. The Group's capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Group aims to balance its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group monitors its capital structure and targets to maintain at all times a healthy gearing ratio. This ratio is calculated as total net borrowings divided by total capital. The Group considers total capital to be equity and total net borrowings, adjusted for deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Capital risk management - continued

As part of this process, the Group has declared and continues to explore and perform a comprehensive evaluation of strategic financing options and initiatives to unlock and maximise shareholder value going forward. This ongoing process includes considering a number of possible strategic options, including the possibility of raising further capital from strategic and/or financial investors or carrying out equity transactions, including options which might result in a change to the shareholding or capital structure of the Group. Any decisions on the selection of specific strategic options are made regularly and adequately communicated to the market, under the applicable rules and regulations.

The Group's overall business and development strategy remains unchanged from the prior year.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings (Note 21) €	**Lease liabilities (Note 22) €**	**Total €**
Balance at 01 January 2023	8,215,257	299,791	8,515,048
Drawdowns	368,014	-	368,014
Repayments	(312,640)	(13,000)	(325,640)
Interest paid	(514,481)	(19,489)	(533,970)
Non-cash transactions:			
Interest expense	207,609	19,489	227,098
Accrued interest	(70,709)	-	(70,709)
Capitalised borrowing costs	377,581	-	377,581
Balance at 31 December 2023	**8,270,631**	**286,791**	**8,557,422**

	Bank borrowings (Note 21) €	Third party borrowings (Note 21) €	Lease liabilities (Note 22) €	Total €
Balance at 01 January 2022	1,625,903	2,000,000	311,234	3,937,137
Drawdowns	6,839,234	-	-	6,839,234
Repayments	(249,880)	(2,000,000)	(11,443)	(2,261,323)
Interest paid	(102,926)	(67,288)	(20,232)	(190,446)
Non-cash transactions:				
Interest expense	102,926	67,288	20,232	190,446
Balance at 31 December 2022	8,215,257	-	299,791	8,515,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

There were no transfers between levels during the year.

The valuation of investment properties at fair value is categorised as level 3. Details of the valuation techniques are disclosed in Note 12 to these consolidated financial statements.

30. CAPITAL COMMITMENTS

The Company's mid-term projected capital commitments are detailed in the Listing Prospectus, under the chapter of Prospective Financial Information, and reflects the Directors expectation with respect to the future operation of the Company for the 5-year financial period. Regular updates and adjustments to these plans are performed and communicated to align the plans to the market reality and actual conditions, while the overall strategy remains unchanged. The basis of preparation and key underlying assumptions are also detailed in the Listing Prospectus, monitored and updated regularly. As of the end of the reporting period, these are materially unchanged and implemented along the originally projected timeframes, with interim delays or changes in development plans communicated and slight adjustments implemented to reflect the expected market and other impacts resulting from the development activity.
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of VBL Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of VBL Plc ("the Company") and its subsidiaries (together, "the Group") set out on pages 22 - 49, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Our opinion is consistent with our additional report to the Audit Committee in accordance with the provision of Article 11 of the EU Regulation No. 537/2014 on specific requirements regarding statutory audits of public-interest entities.

Basis for Opinion

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

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

The non-audit services that we have provided to the Group are disclosed in Note 5 to these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Consolidated Financial Statements - continued

Key Audit Matters

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

Valuation of Investment Properties

The Group's investment properties are carried at fair value of €77,127,963 as at 31 December 2023.

Further detail is included in Note 12 to these consolidated financial statements.

The existence of significant estimates used to arrive at the fair value of the property, could result in a potential material misstatement by virtue of the inherent limitations underlying the estimations. Consequently, specific audit focus and attention was given to this area. The valuation of the property was performed by management on the basis of valuation reports prepared by an independent qualified valuer and the Board of Directors' assessment which considers various specific developments and adjusted for property-specific status of the ongoing development projects, as well as the investment value potential for the VBL asset portfolio.

Audit Response

We understood and evaluated the assessment performed by management on the basis of the revaluations performed by a professional qualified valuer and the Board of Directors' assessment to ascertain the fair value of the investment properties.

Our audit procedures included amongst others:
- Considering the objectivity, independence, competence and capabilities of the external valuer.
- Considering the objectivity, competence and capabilities of the management and directors.
- Reviewing the methodology used by the external valuer and management to estimate the value of the property.
- Assessing and challenging the significant unobservable inputs and assumptions that were applied in the valuations made.
- Assessing the reasonableness of the valuations by reference to market evidence of transactions for similar properties.
- Conducting discussions with the independent professional valuer, management and directors.

We concluded, based on our audit work, that the outcome of the assessment is reasonable.

In addition, we reviewed the adequacy of disclosures made in Note 12 to these consolidated financial statements and concluded that these are adequate.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Consolidated Financial Statements - continued

Other Information

The directors are responsible for the other information. The other information comprises the general information, directors' report, remuneration report and statement of the directors and statement by the directors on compliance with the Code of Principles of Good Corporate Governance, but does not include the consolidated financial statements and our auditors' 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, except as explicitly stated within the *Report on Other Legal and Regulatory Requirements*.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Maltese Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386);
- the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Consolidated Financial Statements - continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements - continued

Auditors' 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in their Annual Financial Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 14 to 21 has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on Other Legal and Regulatory Requirements - continued

Report on the Remuneration Statement

The Capital Markets Rules issued by the Malta Financial Services Authority requires the directors to prepare a remuneration statement. We are required to consider whether the information that should be provided under the Remuneration Statement has been included.

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

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

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

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

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

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report, in accordance with the requirements of the ESEF RTS.

- Obtaining the annual financial report and performing validations to determine whether the annual financial report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.

- Examining the information on the annual financial report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

RSM

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on Other Legal and Regulatory Requirements - continued

Opinion

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

Other matters on which we are required to report by exception

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

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

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary

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

Appointment

We were first appointed to act as auditors of the Group by the shareholders of the Company on 14 December 2021 for the year ended 31 December 2021, and we were subsequently reappointed by the shareholders at the Company's general meeting for the financial year thereafter. The period of uninterrupted engagement as statutory auditor of the Group is three financial periods.

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

RSM Malta
Registered Auditors

24 April 2024

Company Registration No. C 56012

VBL PLC

Annual Financial Report
and
Financial Statements

31 December 2023

CONTENTS

GENERAL INFORMATION

Registration

VBL Plc is registered in Malta as a public limited liability company under the Maltese Companies Act (Cap. 386). The company’s registration number is C 56012. Since last publication, there were no changes to the name of the reporting entity.

Place of domiciliation

Malta

Principal place of business

Malta

Directors

Dr. Andrei Imbroll
Dr. Geza Szephalmi
Mr. Julian Tzvetkov
Mr. Artur Haze
Mr. David Galea Souchet
Ms. Isabella Vella
Dr. John Attard (appointed on 06 July 2023)

Company secretaries

Dr. Joseph Borg Bartolo and Dr. Mikiel Calleja

Registered office and principal place of business

54
Marsamxett Road
Valletta VLT 1852
Malta

Principal bankers

Bank of Valletta p.l.c.
184 Triq In-Naxxar
San Gwann SGN 9030
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

DIRECTORS' REPORT

Accounts

The Directors present their annual financial report and audited financial statements of VBL Plc ("the Company") for the year ended 31 December 2023.

Principal activities

The Company is involved in property ownership and the full process of real estate acquisitions, integrated real estate development, property management, operations, utilisation (rental) and disposal of properties. The Company's main market of operation is Valletta, which is a UNESCO world heritage site, and is a protected, unique and fortified city, the political and administrative centre of Malta.

During the course of over ten years of operations, the Company has established itself as one of the largest and most active investors in immovable property in Valletta (based on the number of owned, acquired and developed units, and the number of operated/managed properties in Valletta). The Company has a successful track record of identifying, acquiring, developing and managing real estate all around Valletta.

The Company's principal areas of activities are as follows:

A. Property ownership, regeneration and maintenance;
B. Identification and acquisition of real estate assets in the city of Valletta, and the consolidation of acquired properties to achieve sizeable development projects, spanning the planning and permitting stage to the preparation and development of the projects;
C. Execution, on a project-by-project basis, of the restructuring, conceptualisation, re-development, re-generation and renovation of acquired real estate assets, including regeneration and improvement of related areas, neighbourhoods or districts of the city, improving overall quality of life for the local community and residents, creating modern, liveable community areas and supporting development of social and cultural activities.
D. Operation and management of commercial and residential real estate assets with a view to generating growing recurring rental income; or sale, and occasionally management for the new owners, of the re-developed assets, where the commercial opportunity to dispose of the asset secures higher margins than its on-going operation. This operational area also includes the management of other third-party real estate assets for accommodation, commercial and office space and the provision of professional operation and management of established hotels and hostels, by leveraging on VBL's existent operational structures and highly skilled management team, while providing high value-added services and overall solution to owners of such assets.

The Company has developed fully integrated professional skills and management structure with large range of in-house capabilities in each of the principal activities undertaken by the Company, ranging from the asset acquisition, asset regeneration/renovation/development, management and operation activities. The Company has established a vertically integrated business process, based on a very well defined and focused target market, where it has proven skills to deliver on all aspects the whole cycle, whereby ensuring the high quality of products and/or services based on established in-house systems and structures, supported by a selection of trusted long-term business partners and sub-contractors to ensure efficiency and to reduce dependency on more vulnerable, short-term commercial relations, thus also ensuring that maximum benefit is derived from all margins.

Review of Business Development and Financial Position of the financial year 2023

The financial performance of the Company has remained stable and has shown continuous growth from the previous years. During the reporting period, the Company managed to increase its revenues compared to the previous year, resulting in a 26% increase in 2023, whilst operational profitability, i.e. Operational EBITDA, at €434,530, up from €185,502 and Operational EBITDA Margin at 51% up from 28%, show significant growth. The Company's operations continue to be dependent on overall market trends, such as global economy trends, airline seat capacity, consumer price changes, services inflation and labour market supply challenges. During the reporting period, the Company has remained successful in terms of progressing with the implementation of its announced strategy, renovation programme and - as part of its hospitality operations - consolidation of the Valletta hospitality market adding new units to its hospitality operations, both third party managed and own developed units. The Company has retained focus on its core market, Valletta.

DIRECTORS' REPORT - continued

Review of Business Development and Financial Position of the financial year 2023 - continued

In the reporting period, the Company has continued to progress with its development programme, which has resulted to €2,042,475 Investment Income, as the balance of fair value movement of individual portfolio assets and an overall significant increase in the book value of Investment Property is amounting to €3,464,323.

The proportion of renovated operational assets continues to grow, however it remains relatively low compared to the Company's total owned portfolio. As of 31 December 2023, only about 30% of the Company's owned assets, based on square meters, were operational and revenue generating. The remaining part of the Company owned assets are under development or are being prepared for development, which projects significant growth opportunities in the coming years, result from the conversion of the owned non-performing assets into renovated, revenue generating properties. Along with the conversion of owned but non-operational assets into renovated and revenue generating properties, the gross yield of the commercialised properties continues to improve from the current level of 5-6%, and expected to exceed this level at mid-term, following completion of current development projects.

The Company continued using its long-term development financing facility, in line with the progress of the development programme. The Company's leverage however remains very low (ca 12.6%), as a result of the conservative management approach.

The core activity and the most significant value driver for the Company is real estate acquisitions and development, which accounts for the most significant value changes in the Company's accounts. The Company therefore – similarly to its peer companies – assesses and reflects the investment income right under total revenues but shown as a separate line, which in the reporting period has reached €2,042,475 (2022 Investment income was €6,874,185).

Investment property fair value and net book value does not take into account the potential value of the property at completion. Investment income reflects only the value changes from completed development or other market adjustment in the reporting period. Project value discounts are not reflected before final completion and handover of the development, which would then be supported by third-party independent valuation.

	ACTUAL Jan - Dec 2023	ACTUAL Jan - Dec 2022	VARIANCE 2023 ACTUAL VS 2022 ACTUAL	
	€	€	€	%
Revenue	844,517	672,392	172,125	26%
Investment Income	2,042,475	6,874,185	(4,831,710)	(70%)
Cost of Sales	(58,291)	(10,023)	(48,268)	482%
Gross Profit	**2,828,701**	**7,536,554**	**(4,707,853)**	**(62%)**
GOP Margin	98%	99%		
Other Operating Income	**192,078**	**35,730**	**156,348**	**438%**
Total Operating Costs	**(543,774)**	**(512,597)**	**(31,177)**	**6%**
EBITDA	**2,477,005**	**7,059,687**	**(4,582,682)**	**(65%)**
EBITDA Margin	88%	94%	(6%)	
EBITDA (Operational)	**434,530**	**185,502**	**249,028**	**134%**
EBITDA Margin (Operational)	51%	28%	24%	

Notes:

(1) Operational EBITDA and Operational EBITDA margin are calculated without investment income.

DIRECTORS' REPORT - continued

Dividends and Reserves

Dividend payment for the year ended 31 December 2023, will be considered and proposed by the Directors for the decision of the Annual General Meeting. During the reporting period, a total dividend of €180,000 was distributed to the shareholders for the year ended 31 December 2022 (corresponding to 0.0726 Euro Cents per share).

The Directors have proposed the balance of retained earnings amounting to €14,139,871 (2022: €12,642,038) be carried forward to the next financial year.

Listed Company Status and New Share Issue

VBL Plc. as the principal company of the Group is a listed entity at the Malta Stock Exchange ("MSE"). In the reporting year, there was a share issue of 1,136,538 newly issued ordinary shares, allocated via private placements, at a nominal value of €0.20 per share, and a premium €0.06 per share. The new share issue and allotment has been registered at the Malta Business Registry with an effective date of 29 December 2023.

As at 31 December 2023, 100% of the Company's equity and issued share capital is listed on the MSE with the total number of shares in issue of 249,179,183. All shares of the Company are ordinary shares, with nominal value of €0.20 each, and have the same shareholders' rights.

The authorised share capital of the Company is €66,000,000.

Events After the End of the Reporting Period

There were no specific, materially important, events affecting the Company or its long-term outlooks, which occurred since the end of the reporting year. The long-term effects of the current global economic situation, global uncertainties and challenges might have an impact on the Company's long-term business and development strategy.

Future Developments

The Company plans to continue its dynamic growth by implementing its declared strategy and announced development programme of its owned assets, as well as improve further the operational economies and utilisation of its already developed assets in line with its long-term business strategy and financial plans. The Company consistently builds and maintains a proprietary pipeline on the Valletta real-estate market. The Company's acquisition focus remains highly opportunistic and is more pronounced towards larger assets or landmark properties. The Company has proven experience in unlocking complex and difficult ownership situations, which remains a key driver of future growth in value. The applied business strategy of the Company ensures acquisition of complex properties at attractive terms, not generally available on the market. Identified pipeline deals are not reflected in the current valuation of the assets, while they represent a significant additional value potential. Further growth in the Company's revenues and asset value shall be achieved through realisation of the existing proprietary pipeline of over 5,000 m^2 of total gross area. Implementation of the acquisition and development strategy is dependent of the available investment resources and other market factors.

Ongoing developments are valued on a project value basis, where the full value of the asset would be realised upon final completion of the projects. In this current development cycle, the Company is developing approx. 7,000 m^2 over a number of projects. The projected property value increase upon completion of these ongoing projects is expected to be in the region of €8-10 Million, in the mid-term. The bulk of this incremental value release will take place upon completion and start of operation of the Silver Horse Block, one of the largest development projects in Valletta.

DIRECTORS' REPORT - continued

Financial Risk Management

The Company is exposed to a variety of financial risks, including - among others - market risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the external market factors and the financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses different methods to assess different types of risk to which it is exposed. These methods include sensitivity analysis, assumption modelling and ageing analysis for credit risk. Risk management is carried out by executive management under policies adopted by the Company. These policies include identification and analysis of the Company and appropriate procedures, controls and risk limits.

Environmental, Social and Governance (ESG) responsibility and commitment

The Company and its stakeholders, including directors, management, employees and investors, are increasingly emphasising the importance of enforcing environmentally and socially responsible, ethical and sustainable business practices. As part of this effort, the Company has established a dedicated leadership team, which is knowledgeable about ESG priorities and can provide continuous guidance and coordinated efforts to all stakeholders in shaping up the corporate culture, internal and external processes where the Company has influence, raising the ESG awareness on its core market of operation, and demonstrating a genuine commitment to ethical and sustainable business practices, along with emphasising environmental and social ethical behaviour. The Company's declared commitment to improving all areas of the business, environmental and social ecosystem of the Company, is aiming to contribute to a better future, while ensuring preservation of the architectural, environment and historical values, together with ensuring the long-term sustainability and profitability of its operations, based on the implementation of the defined business strategy. As a result, during the reporting period, the Company has increased its efforts and awareness of the ESG issues, understanding how essential they are to effectively navigate the Company and its business in this evolving landscape and ensure the long-term success of the Company. The Company has been assessing and responding to all three ESG pillars.

Of the three pillars, the most sector specific in the Company's case is clearly sustainability and the environmental considerations, both in Development and Real Estate Management, Hospitality.

1. **Environmental** – 3R Methodology (Reduce-Reuse-Recycle), is the heart of Company's decision-making process
   In the phase of **<u>Development</u>**, the key focus areas are:
   a. Avoiding green-field development and new construction, using traditional and where possible recycled construction materials, avoiding taking up new areas and spaces;
   b. Regeneration of existing floor slabs reduces the concrete requirements across all of the Company's development projects;
   c. Applying traditional old Maltese tiles sourced from within the Company's own portfolio are reused in all development projects;
   d. Restore and reuse wooden beams which are found in historical properties playing a major part of Company's recycling program;
   e. Reduction of construction waste by repurposing of existing building structure;
   f. Storage and eventual reuse of old limestone, cement tiles, xorok (stone slabs), aperture and other materials;

   In the field of **<u>Real Estate Management, Hospitality</u>**, the key focus areas are:
   g. Reduce and eliminate where possible the use of single use plastic, installation and application of dispensers, reusable inventory and alike;
   h. Preservation and conservation, with furniture relocation scheme implemented within the Company's portfolio, allowing reuse of old traditional furniture based on property class;
   i. Recycling of obsolete apertures into artistic elements within the portfolio;
   j. RMS (room management system) reduced power requirements in all newer developments; and
   k. Application of energy management systems, flow control and similar practices, reducing energy and water wastage.

DIRECTORS' REPORT - continued

Environmental, Social and Governance (ESG) responsibility and commitment - continued

2. **Social**
    a. Equal treatment within workforce, whether own or outsourced;
    b. Diversity of nationalities, 10 plus nationalities in workforce at all times both local, EU or non-EU;
    c. Gender neutral Human Resources (HR) and management setup; and
    d. Corporate culture built on open door policy, equality, fairness and transparency.

3. **Governance**
    a. The Company as a listed entity, is under the supervision of the MFSA (Malta Financial Supervisory Authority);
    b. Transparency is in the focus;
    c. Follows corporate best practices, rules and regulations;
    d. As a public company, follows General Data Protection Regulation (GDPR) and Anti-Money Laundering (AML) international standards; and
    e. The Company has no political engagements.

Going Concern

Currently, the Directors are of the opinion that even though the global and local market trends might deliver turbulent short- and mid-term forecast, over the long run Management do not see any going concern issues. The Company's financial performance is expected to keep on benefiting from its existing inflation-resistant portfolio of prime real estate assets, located in the historic city of Valletta, which is providing excellent positions for delivering a solid and sustainable long-term growth. The Company remains on the path of development and growth resulting from the implementation of its conservative business and financial strategy and ongoing development programme. The Directors assumed that core market of operation, the industry and the general economic environment will remain stabilised in mid to long term and the Company's financial results will keep on following this trend.

The ongoing development projects are progressing as expected, recovering from the interim delays and are expected to be successfully concluded in the coming years, as communicated by the Company, subject to the current, known market and economic factors remaining constant or improving further.

The Company's current low level of indebtedness and the structure of the long-term development loans, provide for a better than average resistance to internal and external industrial or financial challenges, while the increasing inflationary and interest rate pressure is mostly affecting companies with a less strong balance sheet and less resistant asset base.

The current economic landscape and market conditions on the core market of the Company present new opportunities, which the Company plans to continue to explore, aiming to further enhance its core product, together with maintaining its very clear strategy and focus.

The Directors expect that under the currently known market conditions on the local or international landscape and expected business developments, the Company will not face a going concern issue.

Principal Risks and Uncertainties

The key risk factors the Company is facing, have been categorised under five main categories, according to whether the risk factors relate to:

(i.) risks relating to the acquisition and disposal of immovable property;
(ii.) risks relating to construction and development of immovable property;
(iii.) risks relating to management and operation of immovable property;
(iv.) risks related to the change of interest rates and the conditions of financing deriving from the overall global economy, local financial market, global and European inflationary environment, and Euro-based interest rates; and

DIRECTORS' REPORT - continued

Principal Risks and Uncertainties - continued

(v.) risks relating to the general business and operations of the Company, including global political and economic instability, cyber threats, or supply chain risks. This category of risk factors is intended to encapsulate those risk factors that concern the day-to-day operations and activities of the Company, regardless of the line of operations concerned and are, therefore, considered to apply equally to each of the individual business lines referred to in categories (i) to (iii). In addition, the Board of Directors considers that in view of the concentration of the Company's immovable properties in Valletta, it is appropriate to identify those specific risks that are attributable to, or associated with, the market for immovable property situated in Valletta, taking into account the unique characteristics of the Valletta market, its historic and political/administrative background. Those risks relating specifically to the Valletta immovable property market that are identifiable at the date hereof have been included within the main categories referred to above respectively.

If any of the risks described were to materialise and could not be mitigated under reasonable terms, they could have a serious effect on the Company's financial results, financial condition, operational performance, business and/or trading prospects. The risks and uncertainties discussed above are those identified as such by the Board of Directors as at the date of this Report, but these risks and uncertainties may not be the only ones that the Company faces or could face. Additional risks and uncertainties, including any which the Board of Directors are not currently aware of, or that the Board of Directors currently deem immaterial or remote, individually or cumulatively, may well result in a material impact on the financial results, financial condition, operational performance, and/or trading and development activities of the Company.

Shareholding Structure of the Company Pursuant to Capital Markets Rule 5.64

The issued share capital of the Company as at the date of this report is 249,179,183 ordinary shares with a nominal value of €0.20 per share. All shares are listed on the Malta Stock Exchange and hold the same rights.

The Company's shareholders holding 5% or more in direct or indirect shareholding are:

Shareholder's Name	Number of Shares (owned directly)
VBLM Limited	46,000,010
Raniark Limited	44,010,815
Geza Szephalmi	40,433,395
Andrei Imbroll	36,919,655
Sorbusenco Enterprises Limited	22,635,560
Petrolsped (Malta) Ltd	14,997,045
Julian Tzvetkov	12,005,245

VBLM Limited is a management company, which has entered into a Management Services Agreement with the Company, pursuant to which VBLM Limited provides the Company, and other entities falling within the Group, with, *inter alia,* senior executive and strategic management and other support services. There are no restrictions on the transfer of shares of the Company, nor other limitations on the holding of securities or the need to obtain the approval of the Company or other holders of securities.

Powers of the Board Members Pursuant to Capital Markets Rule 5.64.9

The powers of the Directors are outlined in Article 49 of the Articles of Association of the Company.

Disclosure of Material Contracts Pursuant to Capital Markets Rule 5.70.1

The Company is party to a number of material value contracts, including contracts entered into in connection with the acquisition or disposal of real estate assets, the renovation or development of real estate assets, and the subsequent lease and operating agreements in connection with real estate assets, which are considered contracts in the ordinary course of business. All of those contracts have been entered into in the ordinary course of the Company's business and are considered to be at arm's length and under the general business and ethical standards applied by peer companies, globally.

DIRECTORS' REPORT - continued

Disclosure of Material Contracts Pursuant to Capital Markets Rule 5.70.1 - continued

As at the date of this Report, the Board of Directors considers that the only material contract entered into outside the ordinary course of business of the Company is the Management Services Agreement with VBLM Limited, details of which have been published in Section 4.5 of the Registration Document (Listing Prospectus), dated 23 July 2021.

Company Secretary and Registered Office of the Company Pursuant to Capital Markets Rule 5.70.2

Dr. Joseph Borg Bartolo and Dr. Mikiel Calleja
54, Marsamxett Road, Valletta VLT 1852 Malta

Statement of Responsibility Pursuant to Capital Markets Rule 5.68

The Directors declare that to the best of their knowledge, the financial statements included in the Annual Financial Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union, as amended from time to time and these statements give in all material aspects a true and fair view of the assets, liabilities, financial position and results of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Indemnification of the Directors and Senior Management by the Annual General Meeting

In line with standard international practices and Article 148. of the Maltese Companies Act, since inception, the Company's Directors propose to the Annual General Meeting of the Company, a resolution on the indemnification of the Directors and Senior Management, related to the year of reporting, to indemnify the members of the Board of Directors and Senior Management of the Company from liabilities and expenses to which any such person(s) may become a party as a result of such individual's acts carried out for and on behalf of the Company, or any of its associated companies, subsidiaries or affiliates, limitedly in so far as such acts are carried out in the individual's capacity as a Director or Senior Manager, as applicable.

The purpose of such resolution, in line with the applicable Maltese laws and governance standards, is to obtain shareholder approval in order to allow for an indemnity to be provided by the Company to the directors and senior management. Such indemnification, as per law, is excluding the cases of fraud, criminal act, gross negligence and alike. This, if proposed and consecutively approved by the Annual General Meeting of the Company would result in the said person/s being protected (within the limits of the applicable Maltese laws) for any liabilities and expenses that may arise as a result of their duties being exercised for and on behalf of the Company or associated companies, subsidiaries or affiliates.

Board of Directors

The Board of Directors of the Company currently consists of the following Directors:

Dr. Geza Szephalmi, Chairman and Executive Director
Dr. Andrei Imbroll, Executive Director
Mr. Julian Tzvetkov, Executive Director
Mr. Artur Haze, Non-Executive Director, Member of the Audit Committee
Mr. David Galea Souchet, Non-Executive Director, Chairman of the Audit Committee
Ms. Isabella Vella, Non-Executive Director, Member of the Audit Committee
Dr. John Attard, Non-Executive Director, Member of the Audit Committee (appointed as a Board member on 06 July 2023)

Under the provisions of the Company's Memorandum and Articles of Association, the appointment of the Directors happens at the Company's General Meeting.

DIRECTORS' REPORT - continued

Auditors

A proposal will be submitted to the Annual General Meeting to re-appoint RSM Malta as Auditor to the Company for year 2024 and to set their remuneration for the period.

Statement of Directors' responsibilities for the financial statements

The Companies Act (Cap. 386), enacted in Malta, requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss for that year.

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

- adopting the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern;
- selecting suitable accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable and prudent;
- accounting for income and charges relating to the accounting period on accrual basis;
- valuing separately the components of asset and liability items;
- reporting comparative figures corresponding to those of the preceding accounting period; and
- preparing the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable the Directors to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. 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.

Additionally, the directors are responsible for:

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

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Financial Statements.

REMUNERATION REPORT AND STATEMENT OF THE DIRECTORS

In line with the Capital Markets Rules (the "**Rules**"), as defined in Chapter 12 of the Rules, the Company is subject to draw up a **Remuneration Report** in line with the requirements as detailed in the Appendix 12.1 of the Chapter 12, providing an overview of the remuneration to the directors of the Company.

The Company is also subject to the Code of Principles (the "**Code**") forming part of the Capital Markets Rules, and in terms of the respective Rule (8A.4) the Company is to include a **Remuneration Statement** in its Annual Financial Report with the details of the remuneration policy of the Company and the remuneration of the Directors.

In terms of the effective Remuneration Policy of the Company ("**Remuneration Policy**"), and the principles presented in the Listing Prospectus, and in alignment and compliance with the relevant and applicable guidelines, the Board has reviewed the principles and the relevant guidelines and has concluded that based on the significance of the Company in terms of its size and that of its operations, clients, the structure of its internal organisation, and the nature, scope and complexity of the activities of the Company, this Policy does not require a separate Remuneration Committee to be set-up and the responsibilities attributed to overseeing the Remuneration Policy of the Company shall be performed by the Board of Directors. This Remuneration Policy is reviewed regularly or as required and any material amendments thereto shall be submitted to the General Meeting of the Company for adoption. In the reporting period, there were no changes to the Remuneration Policy.

Remuneration related to the Directors, in accordance with the Remuneration Policy

Directors' Fee

The resolution by the Shareholders of the Company at the Annual General Meeting held on 06 July 2023, approving the aggregate total annual remuneration of the Board of Directors, set the directors' fee for one year at a total of €70,000.

The directors' fee is a fixed annual fee and there has been no change in the individual directors' remuneration with regards to the fixed fee compared to the previous year, in the reporting period.

The total directors' fees paid during the financial year 2023 to the Board of Directors was €64,883. According to the existing Policy, the Directors are not entitled to variable fee or other remuneration or benefits related to their directors' position within the Company or from any undertakings belonging to the same Company, meaning a parent undertaking and any subsidiary undertaking.

The Directors of the Company have not been granted any shares or shares options in the reporting period, as part of their remuneration.

After an assessment of the market conditions and the particularities of the Company, the Directors have concluded that the remuneration of the Board of Directors of the Company is considered to be in line with the size of its operations and general applicable industry standards, and the nature, scope and complexity of its activities and in compliance with the Remuneration Policy with no deviations from the procedure for the implementation of the Remuneration Policy.

The Remuneration Policy of the Company is unchanged since its introduction at the Company's annual general meeting in 2022, and since there are no changes to annual remuneration of directors, there are no differences which may be presented as comparative analysis required by Appendix 12.1 of the Capital Markets Rules paragraph (b).

In accordance with Capital Markets Rules, Appendix 12.1 it is hereby disclosed that in the reporting period:

- No remuneration is received by the directors from any undertaking belonging to the same group (parent and subsidiary);
- No share options were granted or offered to directors and CEO or other executives of the Company;

REMUNERATION REPORT AND STATEMENT OF THE DIRECTORS - continued

Executive Management and Services - continued

Directors' Fee - continued

- No variable remuneration is part of the directors' remuneration and there is no possibility to reclaim variable remuneration (if any);
- No deviations from the procedure for the implementation of the Remuneration Policy are relevant in the reporting period.

Executive Management and Services

Since its foundation, the Company has been managed by a dedicated management company, VBLM Ltd ("**VBLM**"). As declared before and presented in the Listing Prospectus, VBLM is also a significant shareholder of the Company and is itself owned, managed and controlled by the Executive Directors of the Company. Its sole activity is the management of the Company.

The provision of management services by VBLM to the Company is based on the existing and established practice dating back to foundation of the Company and has been formalised by means of a management and services agreement ("Management Services Agreement") entered into between VBLM and the principal company of the Company. The nature and content of this relationship and the Agreement itself has been described in detail in the Listing Prospectus. Pursuant to the Management Services Agreement, VBLM provides the Company and its subsidiaries with executive, operational and strategic management and support services.

The remuneration payable by the Company to VBLM under the Management Services Agreement is comprised of a combination of fixed and variable parts, consisting of a Retainer Fee (fixed annual fee, adjusted annually in line with the official inflation index published by the NSO), a Variable Fee (ranging from 50% to 100% of the Retainer Fee, and linked to achievement of pre-defined specific tasks, which is only payable following evaluation and approval by the non-executive Directors); and a Performance Fee (related to the achievement of the mid- and long-term value growth realised by the Company, as described in details in the Listing Prospectus). The terms and conditions of the Management Services Agreement, evaluation and the payable Variable and Performance fees is monitored and controlled by the non-Executive Directors of the Company.

The Management Services Agreement is aimed at ensuring that the senior Executive Management Team, which has steered VBL in attaining successful growth and development since the inception of the Company more than a decade ago, and who have been key to establishing sound and stable operations that has resulted in the prevailing financial and strategic market positioning of the Company, are aligned with the Shareholders' and Company's interests and remains fully committed to deliver the strategic objectives of the Company in line with announced growth and development plans. This element of continuity is considered by the Board of Directors to be in the best interest of the Company, supporting the continuation and evolvement of its existing well-established structure, and to further implement the Company's business strategy and growth, while mitigating risks associated with key personnel and senior management. The current Management Services Agreement is effective as from 1st January 2021. Additional details on the Management Services Agreement are presented in the Company's Listing Prospectus.

During 2023, the total management services fee due to VBLM for the executive, operational and strategic management and services provided to the Company was €400,000, exclusive of VAT.

Other than the directors' fee and the management services fee, the Company does not provide any other pay, remuneration or alike to its directors for their services. Any changes to the terms of the existing Management Services Agreement are subject to the vetting and approval of the Audit Committee and the non-executive directors of the Company.

The contents of this Remuneration Report have been checked by the Auditors of the Company.

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Financial Statements.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Company is subject to the Code of Principles of Good Corporate Governance[1] (the "**Code**") forming part of the Capital Markets Rules. Listed companies are required under the Capital Markets Rules issued by the Malta Financial Services Authority to include a Statement of Compliance with the Code in their Annual Financial Report, accompanied by a report of the independent auditors.

The Board of Directors of the Company ("**BOD**", "**Board**" or "**Directors**") restate their support for the Code and consider that they have taken such measures as are necessary in order for the Company to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Company.

Basic principles, in Compliance with Code provisions:

1. The managing body of the Company is an effective Board in terms of Code Provision 1, which is responsible for accountability, monitoring, strategy formulation and policy development as specified in Code Provision 4;
2. The Chairman of the Board does not also occupy the role of Chief Executive Officer, as envisaged in Code Provision 2;
3. The Board is originally composed of seven directors, including four (4) non-executives of whom three (3) are independent in terms of Code Provision 3; thus retaining a healthy mix between executive and non-executives in the composition of the Board of Directors. In the reporting period, until the Annual General Meeting, the number of Directors was six, from the Annual General Meeting held in July 2023, the Board is composed of seven Directors, with four (4) non-executives of whom three (3) are independent;
4. Members of the Board of Directors are all seasoned professionals, with significant local and international professional track record, including that of directors of other listed companies, and proven experience in applying the highest level of corporate governance standards and best management practices, obtained in running large public and private companies;
5. The Board of Directors meets regularly and all Directors are given ample opportunity to discuss the agenda and convey their opinions as specified in Code Provision 5;
6. The Company recognises the importance of professional development and seeks to ensure that there are adequate schemes in place for professional development of management and employees in accordance with Code Provision 6;
7. Of the members of the Board of Directors, the Audit Committee has been set up, consisting of four (4) members. This body has the task, inter alia, of managing conflicts of interest in terms of Code Provision 11. Conflicts of interest are also managed in terms of the Company's Articles of Association and the Terms of Reference of the Audit Committee;
8. The Company has not appointed a Remuneration Committee. The Board believes that the size of the Company and the Board itself does not warrant the setting up of an ad hoc committee to establish the remuneration packages of individual directors, as all directors are remunerated equally for their directorship, and relies on the constant scrutiny of the Board itself, the Company's shareholders, the nature and the size of the Company, as well as the market and the rules by which the Company is regulated as a listed company. The Board shall retain this matter under review over the coming years;
9. The Nomination Committee has been appointed by the Board of Directors with majority of non-executive directors, as members. The Nomination Committee is responsible to run a transparent nomination process for the election/re-election of any members, as required, and as detailed and specified in the Memorandum and Articles of Association.
10. The Company recognises the importance of its role in the corporate social, health and environmental responsibility arena and seeks to ensure that in its development projects and ongoing operations are respectful and it is committed to comply with the expected ESG principles and directions. The Directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt sustainable and environmentally responsible practices, in line with Code Provision 12;

[1] *https://www.mfsa.mt/wp-content/uploads/2019/02/Code-of-Principles-of-Good-Corporate-Governance-for-Listed-Entities.pdf*

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Basic principles, in Compliance with Code provisions: - continued

11. Pursuant to the Company's statutory obligations, the annual financial report and financial statements, declaration of dividends, election of directors and appointment of auditors and authorisation of the directors to set the auditors' fees are proposed and approved at the Company's Annual General Meeting. The Board of Directors properly serves the legitimate interests of all shareholders and is accountable to all shareholders, particularly through the representation of the shareholders on the Board itself. This ensures compliance with Code Provision 9.

In the light of the factors mentioned above, the Board is of the view that the Company is in compliance with the Code.

Specific Corporate Governance principles

The Company, its Directors, its Management and Employees believe that good corporate governance is a key element for sustainable business success and supporting the integrity and efficiency of the Company and its Subsidiaries, operations and long-term success. VBL plc is committed to establishing, maintaining and following strong corporate governance principles and best management practices in line with best local and international practices, as a basic requirement for delivering the Company's planned financial and business goals, achieving its expected business potential, and protecting the Company's investors, employees, partners, customers and reputation.

The Company's Directors are committed to ensure the openness and willingness to establish and follow the basic principles set by the best international practices in corporate governance, regularly disclose financial performance figures which are truthful and accurate, provide timely and accurate information about the Company's goals, activities and strategy to the investors and business partners. This is considered key in allowing the market to be able to assess and evaluate the various foreseeable or unpredicted risks and issues related to the implementation of the Company's business strategy. Among others, the Company has adopted and follows the basic principles of the Code, in order to establish strong business and governance ethics and apply those in its daily practice.

The five key specific principles adopted by the Company's governing bodies are:

i. Fairness – Fair and ethical behaviour in all dealings is fundamental to the success of the Company's business. Today, the Company already has an established image and proven operational principles of which a fundamental part is to act and deal in a fair and correct manner. As a result, Company enjoys the trust and support of its partners, peers, customers and suppliers. The Company is committed to continue acting in accordance with the highest ethical and professional standards.
ii. Accountability – The Board's and management's commitment to accountability refers to the obligation and responsibility of Company to always act responsibly and be able to give clear explanations or rationale for the Company's actions and conduct.
iii. Responsibility – The Board of Directors and management are given authority, as defined in the Articles and relevant regulations, to act on behalf of the Company, therefore they accept full responsibility for the powers that they are given and the authority that they exercise.
iv. Transparency – This is a key principle of responsible behaviour and good governance expected by a number of stakeholders, particularly the shareholders. The Board of Directors and Management ensure that the various bodies or structures of Company operate and act in a transparent and accountable manner, provide timely and accurate reporting, and address in an open and transparent manner any issues or matters which are faced by the Company.
v. Corporate, Environmental Social Responsibility – In addition to the above four basic corporate governance principles, the Board of Directors and Management seek to adopt and follow the increasingly important principles of the corporate, environmental social responsibility in the day-to-day management practices at the Company.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Administrative, management and supervisory bodies and Senior Management

The Board

The Company is managed by the Board of Directors consisting of not less than 4 (four) and not more than 8 (eight) Directors. Since the last Annual General Meeting, there have been seven Directors, of which four are non-executive, all of whom are entrusted with the overall direction, administration and management of the Company.

Each Director declares that he/she undertakes to:

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

As of 31st December 2023, the Board of Directors of the Company consists of the following persons:

Name	**Designation**
Dr. Geza Szephalmi	Chairman and Executive Director
Dr. Andrei Imbroll	Chief Executive Officer and Executive Director
Julian Tzvetkov	Chief Financial Officer and Executive Director
Artur Haze	Non-executive Director, member of the Audit Committee
David Galea Souchet	Independent, Non-executive Director, Chairman of the Audit Committee
Isabella Vella	Independent, non-executive director and member of the Audit Committee
Dr. John Attard	Non-executive Director, member of the Audit Committee (appointed on 06 July 2023)

As of 31 December 2023, the Company Secretaries appointed are Dr Joseph Borg Bartolo and Dr Mikiel Calleja.

Board meetings

During year 2023, there have been 6 board meetings held and several decision makings in writing. At the Annual General Meeting of the Company, the previous directors have been re-elected, and the number of directors was increased to seven.

The number of Board meetings attended by Directors for the year under review is as follows:

Members	**Attended**	
Andrei Imbroll	6	
Artur Haze	6	
David Galea Souchet	6	
Geza Szephalmi	6	
Isabella Vella	6	
Julian Tzvetkov	6	
John Attard	3	(appointed on 06 July 2023)

Information and professional development

The Company ensures that it provides its Directors with the necessary detailed and relevant information to enable them effectively contribute to board decisions. The Company is committed to provide any additional analysis, data, adequate and detailed information to its Directors, as that might be required to allow for efficient and relevant discussions prior to decision making. The Company pledges to make available to the Directors all information as required.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Appointment and removal of directors

The Directors of the Company are appointed at the General Meeting, by the Shareholders in accordance with the provisions of the Articles of Association of the Company. The procedure for the appointment of Directors shall be as detailed and described in the Articles.

The Company shall grant a period of at least 14 days to Shareholders holding in aggregate 10% or more of the Shares to nominate one candidate for appointment as Director for every 10% held as aforesaid. All such nominations, including the candidate's acceptance to be nominated as Director, shall on pain of disqualification be made on the form to be prescribed by the Directors from time to time and shall reach the Company not later than 14 days after delivery of the said notice.

Whenever in terms of the Articles, an election is necessary amongst candidates nominated for appointment as Directors, such election shall be conducted in the manner prescribed by the Articles or in such manner as close as practicably possible thereto as the Directors may consider equitable in the circumstances.

Any Director may be removed at any time by the Company in General Meeting pursuant to the provisions of Article 140 of the Act. Without prejudice to the provisions of the Act, the office of a Director shall ipso facto be vacated:

- if, by notice in writing to the Company, he/she resigns from the office of Director; or
- if he/she violates in a proven way the declaration of secrecy required of him/her under the Articles and the Board of Directors pass a resolution that he/she has so violated the declaration of secrecy; or
- if he/she is prohibited by or under any law from being a Director; or
- if he/she is removed from office pursuant to the Articles or the Act.

A retiring Director shall be eligible for re-election or re-appointment.

Powers of Directors

The Directors are empowered to act on behalf of the Company in accordance with the Memorandum and Articles of Association, which powers may be widened or restricted from time to time by the Shareholders in a General Meeting.

The general administration and management of the Company is entrusted with the Board of Directors, who are empowered and authorised to delegate any of its functions relating to the Company to members of the Company's management. The executive directors of the Company are entrusted with the executive management functions, including the management of the day-to-day operations, as defined in the Articles and described below.

Any one or more members of the Board of Directors may also occupy the position of Chief Executive Officer of the Company and may also occupy the position of members of the board of directors of subsidiaries or affiliate companies of the Company from time to time.

Evaluation of the Board's Performance

According to the statues of the Company and the relevant regulations, the Board regularly undertakes an annual evaluation of its performance and of its committees. The performance evaluation of each Board member shall be done by the Board of Directors, excluding the Board member being evaluated. The Chairman takes action on the result of the performance evaluation process in order to ascertain the strengths and to address the weaknesses, and reports to the Board and where appropriate to the Annual General Meeting of the Company.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Remuneration of Directors

The remuneration of the Directors in any one financial year, and any changes thereto, is determined by the General Meeting of the Company.

For the current reporting year under review, the Directors are each entitled to a gross annual remuneration of €10,000 from the date of their appointment.

Executive Directors

Any two of the Executive Directors acting jointly together have representation and execution rights on behalf of the Company to the extent permitted and as defined by the Memorandum of Association of the Company. In this respect, and in line with the good governance standards and internal control procedures implemented by the Company, the Memorandum of Association ties the legal representation and the signatory rights of the Company to predefined monetary threshold, with enhanced safeguards applicable to transactions of higher monetary value. The Company applies a dual signatory policy as determined in the Articles of the Company and other relevant Company regulations.

Any one Executive Director of the Company shall represent the Company in judicial proceedings, as defined in the Articles, provided that no proceedings may be instituted by the Company without the approval of the Board of Directors of the Company.

Chief Executive Officer

In terms of Article 65 of the Articles of Association, the Directors may from time to time appoint any person to the office of Chief Executive Officer (CEO) of the Company for such period and on such terms as they deem fit.

The Directors may entrust to and confer upon a CEO any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Currently, the Executive Directors, among which the CEO was nominated, are nominated and provided under the Management Services Agreement with VBLM, which is a continuous arrangement dating back to the establishment of the Company and the details of which have been explained in the Listing Prospectus. The Executive Directors are also members of the Executive Committee of the Company.

The CEO is responsible for the Company's operative management and direction in accordance with the Articles, and the directions of the Executive Committee, the resolutions of the Board of Directors and the resolutions adopted by the General Meeting. The CEO has the responsibility to decide on the Company's organisational structure and relevant internal rules and regulations according to the Articles of the Company.

Declaration

None of the Directors, members of the board committees or members of management, have, in the last five years:

- been the subject of any convictions in relation to fraudulent offences;
- been associated in any form with bankruptcies, receiverships or liquidations (other than voluntary) or companies put into administration in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Board practices

The Directors have constituted the following committees, the terms of reference of which are determined by the Board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The primary objective of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, the audit process, financial policies and internal control structure, also overview the Company's system of internal controls and compliance with laws and regulations, as well as to ensure compliance with the relevant regulations of the Capital Markets Rules. The Audit Committee of the Company is elected among the Board members, as defined in the Articles and relevant regulations. The Audit Committee oversees the conduct of the annual audit process, and acts to facilitate communication between the Board, the Management and the Company's appointed auditors.

As at the date of this Report, the Audit Committee is composed of four members – Mr. David Galea Souchet (Chairman), Ms. Isabella Vella, Mr. Artur Haze, and Dr John Attard. Mr. David Galea Souchet and Dr. John Attard are the Audit Committee members who are considered by the Board of Directors to be competent in accounting and/or auditing in terms of the Capital Markets Rules. The Committee is responsible for reviewing the financial reporting processes and policies, the system of internal control, management of financial risk, audit process, any transactions with related parties and the Company's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on the action needed to address the issue or make improvements.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Its primary objective is to assist the Board in dealing with issues of risk, control and governance and in reviewing the Company's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the annual financial audit and facilities communication between the Company's Board, management and appointed auditors.

The Audit Committee's main role and responsibilities are:

a. to review procedures and assess the effectiveness of the internal control systems, including financial reporting;
b. to assist the Board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the Company;
c. to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting;
d. to monitor and review the external audit functions, including the external auditor`s independence, objectivity and effectiveness;
e. to monitor and review the internal procedures and to monitor these on a regular basis;
f. to establish and maintain access between the internal and external auditors of the Company and to ensure that this is open and constructive;
g. to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the Board, focusing particularly on:
    i. critical accounting policies and practices and any changes in them;
    ii. decisions requiring a major element of judgement;
    iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
    iv. the clarity of disclosures and compliance with International Financial Reporting Standards;
    v. significant adjustments resulting from the audit;
    vi. compliance with stock exchange (as applicable) and other legal requirements; and

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Audit Committee - continued

vii. reviewing the Company's statement on Corporate Governance prior to endorsement by the Board;

h. to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
i. to establish and exercise oversight upon the internal audit function of the Company, and to review its plans, activities, staffing and organisational structure;
j. to monitor the statutory audit of the annual and consolidated accounts;
k. to discuss Company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the Company; and
l. to consider other matters that are within the general scope of the Committee that are referred to it by the Board of Directors.

During 2023, the Audit Committee met 5 times in person or via video conference, out of which 2 meetings the Company's appointed auditors were present and attended the meetings.

The number of Audit Committee meetings attended by Members for the year under review is as follows:

Members	Attended	
Artur Haze	5	
David Galea Souchet	5	
Isabella Vella	5	
John Attard	2	(appointed on 06 July 2023)

Nomination Committee

The Board of Directors has formed a nomination committee, which was functional in the reporting period. The forming and operation of the Nomination Committee was in compliance with the principle of the Code. The proposals of the nomination committee were put forward for decisions of the Board of Directors and presented to the shareholders, accordingly.

Executive Management Committee (EMC)

The Executive Management Committee is the main operational body of the Company, ensuring smooth and efficient day-to-day operations and control, in line with the strategic operational decisions of the Board. The EMC consists of the Executive Directors, senior management including the CEO, CFO and COO and any other managers of the Company as might be appointed to the EMC, from time to time.

The EMC is represented at the Board of Directors by the Chief Executive Officer. Within the EMC, there is a clear division of responsibilities between the members, covering all areas of the executive responsibility for the running of the Company's business. The EMC ensures that no one individual or small Company of individuals has an unlimited power of decision in day-to-day operations.

Relations with Shareholders and with the Market

The Company is highly committed to having an open and communicative relationship with all its shareholders. In this respect, over and above the statutory and regulatory requirements relating to the Annual General Meeting, the publication of financial statements and Company announcements, the Company seeks to keep an updated and informative website, and to address any information needs of the shareholders, in various ways.

The Company has announced a Shareholders' Loyalty Programme which is regularly updated and communicated with the Shareholders.

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

Relations with Shareholders and with the Market - continued

In line with its public status and relevant regulation, the Company regularly releases its financial reports and company announcements, which are published through the Malta Stock Exchange, and are simultaneously published on the Investors' section of the Company's website.

Conflict of Interest

The Board is fully aware of its obligations regarding dealings in securities of the Company as required by the Capital Markets Rules and the related disclosures in case of such dealings. Related party transactions and dealings are also disclosed as required, in compliance with the applicable rules and also disclosed in the relevant section of the Annual Financial Statements.

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2023** €	2022 €
Revenue	3	**844,517**	672,392
Investment income	4	**2,042,475**	6,874,185
Cost of sales	5	**(58,291)**	(10,023)
Gross profit		**2,828,701**	7,536,554
Other operating income	6	**192,078**	35,730
Administrative expenses	5	**(543,774)**	(512,597)
Earnings before interest, tax, depreciation and amortisation		**2,477,005**	7,059,687
Depreciation and amortisation	5	**(301,758)**	(268,091)
Operating income		**2,175,247**	6,791,596
Interest income	7	**10,067**	7,084
Impairment on inventory	5	**-**	(65,618)
Receivable written off	5	**(20,358)**	-
Finance costs	8	**(230,435)**	(190,446)
Profit before income tax		**1,934,521**	6,542,616
Income tax expense	9	**(291,689)**	(259,179)
Profit for the year		**1,642,832**	6,283,437
Total comprehensive income for the year		**1,642,832**	6,283,437
Earnings per share	26	**0.0066**	0.0256

The notes on pages 25 to 48 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2023 €	2022 €
ASSETS			
Non-current assets			
Intangible assets	10	**96,409**	114,644
Property, plant and equipment	11	**781,293**	832,938
Investment properties	12	**77,127,963**	73,663,640
Investment in subsidiaries	13	**11,200**	11,200
Loans receivable	14	**-**	113,711
Deferred tax assets	15	**142,114**	213,367
		78,158,979	74,949,500
Current assets			
Non-current assets held for sale	16	**-**	510,000
Inventory	17	**-**	270,000
Current tax receivable		**-**	14,000
Loans receivable	14	**119,961**	-
Trade and other receivables	18	**155,618**	296,073
Cash and cash equivalents	19	**791,063**	1,295,516
		1,066,642	2,385,589
TOTAL ASSETS		**79,225,621**	77,335,089
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	**49,835,837**	49,608,529
Share premium	20	**1,085,638**	1,017,446
Other reserves	20	**329,895**	352,646
General reserves	20	**1,218**	1,218
Retained earnings	20	**14,139,871**	12,642,038
TOTAL EQUITY		**65,392,459**	63,621,877
Non-current liabilities			
Borrowings	21	**7,842,118**	7,877,586
Lease liabilities	22	**270,639**	286,253
Deferred tax liability	23	**4,373,858**	4,165,673
Trade and other payables	24	**106,485**	88,775
		12,593,100	12,418,287
Current liabilities			
Borrowings	21	**428,513**	337,671
Lease liabilities	22	**16,152**	13,538
Trade and other payables	24	**795,397**	943,716
		1,240,062	1,294,925
TOTAL LIABILITIES		**13,833,162**	13,713,212
TOTAL EQUITY AND LIABILITIES		**79,225,621**	77,335,089

The notes on pages 25 to 48 are an integral part of these financial statements.

Signed on behalf of the Company's Board of Directors on 24 April 2024 by Julian Tzvetkov (Director) and Dr. Andrei Imbroll (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report and Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	General reserves €	Retained earnings €	Total €
Balance at 01 January 2022	48,894,243	731,733	375,397	1,218	6,483,600	56,486,191
Total comprehensive income						
- Profit for the year	-	-	-	-	6,283,437	6,283,437
	-	-	-	-	6,283,437	6,283,437
Transactions with owners in their capacity as owners						
- Issuance of shares	714,286	285,713	-	-	-	999,999
- Dividends declared during the period (Note 20)	-	-	-	-	(160,000)	(160,000)
	714,286	285,713	-	-	(160,000)	839,999
Transfer from revaluation reserve to retained earnings, net of deferred tax	-	-	(22,751)	-	35,001	12,250
Balance at 31 December 2022	**49,608,529**	**1,017,446**	**352,646**	**1,218**	**12,642,038**	**63,621,877**
Balance at 01 January 2023	49,608,529	1,017,446	352,646	1,218	12,642,038	63,621,877
Total comprehensive income						
- Profit for the year	-	-	-	-	1,642,832	1,642,832
	-	-	-	-	1,642,832	1,642,832
Transactions with owners in their capacity as owners						
- Issuance of shares	227,308	68,192	-	-	-	295,500
- Dividends declared during the period (Note 20)	-	-	-	-	(180,000)	(180,000)
	227,308	68,192	-	-	(180,000)	115,500
Transfer from revaluation reserve to retained earnings, net of deferred tax	-	-	(22,751)	-	35,001	12,250
Balance at 31 December 2023	**49,835,837**	**1,085,638**	**329,895**	**1,218**	**14,139,871**	**65,392,459**

The notes on pages 25 to 48 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2023 €	2022 €
Cash flows from operating activities			
Profit before tax		**1,934,521**	6,542,616
Depreciation and amortisation	5	**301,758**	268,091
Provision for expected credit losses	18	**-**	39,055
Receivable written off	5	**20,358**	-
Investment income	4	**(2,042,475)**	(6,874,185)
Impairment on inventory	5	**-**	65,618
Interest income	7	**(10,067)**	(7,084)
Interest expense	8	**230,435**	190,446
Cash flows generated before working capital changes		**434,530**	224,557
Increase in inventories		**-**	(270,000)
Decrease in trade and other receivables		**189,814**	51,782
(Decrease)/increase in trade and other payables		**(216,519)**	579,344
Net cash flows generated from operating activities		**407,825**	585,683
Cash flows from investing activities			
Purchase of intangible assets	10	**(25,000)**	-
Purchase of property, plant and equipment	11	**(12,685)**	(3,250)
Proceeds from sale of investment property		**467,100**	850,000
Acquisition of investment properties		**(965,597)**	(6,278,086)
Net cash flows used in investing activities		**(536,182)**	(5,431,336)
Cash flows from financing activities			
Net proceeds from issuance of share capital		**295,500**	-
Interest paid on borrowings		**(514,481)**	(170,214)
Withholding tax paid	9	**-**	(8,000)
Dividends paid	20	**(180,000)**	(160,000)
Movement in borrowings	21	**55,374**	4,589,354
Principal lease payments	22	**(13,000)**	(11,443)
Interest paid on leases	22	**(19,489)**	(20,232)
Net cash flows (used in)/generated from financing activities		**(376,096)**	4,219,465
Net decrease in cash and cash equivalents		**(504,453)**	(626,188)
Cash and cash equivalents at beginning of year		**1,295,516**	1,921,704
Cash and cash equivalents at end of year	19	**791,063**	1,295,516

The notes on pages 25 to 48 are an integral part of these financial statements.

Significant non-cash transactions

During the year ended 31 December 2023, the Company did not have any significant non-cash transactions.

During the year ended 31 December 2022, the Company issued 3,571,428 €0.20 par value ordinary shares at €0.28 each amounting to €999,999 as non-cash consideration for the acquisition of an investment property.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION

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

Basis of preparation

These financial statements are prepared under the historical cost convention, except for revaluation of investment properties that are measured at fair value at end of each reporting period. These financial statements are prepared in accordance with the provisions of the Maltese Companies Act (Cap. 386), and with the requirements of International Financial Reporting Standards ("IFRS Accounting Standards") as adopted by the European Union ('EU').

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 to these financial statements.

These financial statements present information about the Company as an individual undertaking. Separate consolidated financial statements have been prepared by the Company.

Functional and presentation currency

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

New or amended standards, interpretations and amendments adopted

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

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

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The term 'significant' was replaced with 'material' in the context of disclosing accounting policy information. In assessing the materiality of the accounting policy information, the Company considers the size of transactions, other events or conditions and their nature.

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

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

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

New or amended standards, interpretations and amendments issued but not yet effective

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

NOTES TO THE FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the value of goods sold and services provided, net of sales rebates and taxes in the normal course of business, net of value added tax and discounts where applicable.

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Sale of investment property

Sale of investment property is recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the Company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale.

Rental income

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

Rental revenue share - VREM

Rental revenue share from VREM is recognised at a point in time on completion of the service.

Tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Cost includes expenditure directly attributable to the acquisition of the items as well as transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Property, plant and equipment - continued

Depreciation is provided on all items of property, plant and equipment, except freehold land and assets under construction, at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Building improvements	2% Straight Line
Office equipment	20% Straight Line
Furniture and fixtures	20% Straight Line
Other assets	20% Straight Line

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount.

Subsequent costs are included in the carrying amount of the asset 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value at the date of the valuation, less any subsequent accumulated depreciation (Note 12). Gains and losses arising from changes in fair values are recorded in profit or loss.

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair values does not assume that either the underlying assets are marketed for sale at the reporting date or that there is an intention to sell it in the near future.

The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

The fair value of investment properties is largely based on estimates using property appraisal techniques as outlined in Note 12 to these financial statements. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the fair valued amount, less any estimated residual value, over their estimated useful lives, on the following bases:

Improvements	2% Straight Line
Furniture, fixtures and fittings	20% Straight Line

NOTES TO THE FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Investment properties - continued

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its cost or fair value at the reclassification date becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until development is complete. Thereafter it is classified and accounted for as an investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under International Accounting Standards ('IAS') 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss.

Intangible assets

Trademark and licences

Trademarks and licences are valued at cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 10 years.

Non-compete rights

The non-compete rights are valued at cost and are amortised over the period of 5 years.

Brand

The value of brand name is recognised following acquisition. Brand name acquired over the past period (together with other assets, in complex transaction), has been valued to assess the actual incremental value it provides to the Company's operations and its value has been based on estimated income. The brand name is being amortised over 5 years.

Investment in subsidiaries

Subsidiaries are all those entities over which the Company has control, i.e., when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Investment in subsidiaries are initially recognised at cost, being the fair value of the consideration given, including acquisition costs and are subsequently carried at cost less accumulated impairment losses, if any.

Dividend income is recognised when the Company's right to receive payment is established.

Inventories

Properties are classified as inventory where the objective is for resale purposes or where there is a change in use of investment property when there is an intention to sell. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Inventories are carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the property together with other costs incurred during the subsequent development, including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities, Equity instruments are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost. Equity instruments are not subject to impairment assessment.

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.

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

For trade receivables, the Company applies a simplified approach to measuring ECLs which recognises lifetime ECLs. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Segment reporting

The Board of Directors shall determine the Company's operating segments, in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors. The Board of Directors considers the Company to be made up of one operating segment.

NOTES TO THE FINANCIAL STATEMENTS - continued

1. MATERIAL ACCOUNTING POLICY INFORMATION - continued

Leases

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company’s accounting policies, which are described in Note 1 to these financial statements, the management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical and other factors, including expectations of future events that are believed to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

In the opinion of the Directors, with the exception of the fair valuation of investment properties (Note12), the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

3. REVENUE

	2023	2022
	€	€
Rental income	**419,314**	346,306
Rental revenue share - VREM	**425,203**	326,086
	844,517	672,392

4. INVESTMENT INCOME

	2023	2022
	€	€
Increase in fair value of investment property	**1,965,338**	7,666,656
Realised gain/(loss) on sale of investment property	**77,137**	(724,933)
Impairment on property held for sale	**-**	(67,538)
	2,042,475	6,874,185

The €1,965,338 (2022: €7,666,656) relates to an increase in fair value of investment property resulting from concluded acquisitions, ongoing development activity and applicable adjustments, which are considering property specific conditions, namely development project status or operational conditions.

5. EXPENSES BY NATURE

	2023	2022
	€	€
Direct costs	**58,291**	10,023
Employee benefit expense (i)	**134,923**	82,214
Directors' fees	**64,883**	65,000
Auditor's remuneration:		
Audit fee	**13,000**	11,500
Other non-assurance services	**950**	950
Depreciation and amortisation	**301,758**	268,091
Management fees from related party	**100,000**	100,000
Impairment on inventory	**-**	65,618
Receivable written off	**20,358**	-
Other administrative expenses	**230,018**	252,933
	924,181	856,329

NOTES TO THE FINANCIAL STATEMENTS - continued

5. EXPENSES BY NATURE - continued

(i) Employee benefit expense include the following:

	2023	2022
	€	€
Salaries and wages	**230,893**	130,732
Social security and maternity fund contributions	**12,954**	10,423
Capitalised salaries	**(108,924)**	(58,941)
	134,923	82,214
Average number of employees	**5**	6

During the year 2023, staff salaries of €108,924 have been capitalised to investment property (2022: €58,941).

6. OTHER OPERATING INCOME

	2023	2022
	€	€
Management fees and professional services	**163,675**	27,500
Miscellaneous income	**28,403**	8,230
	192,078	35,730

7. INTEREST INCOME

	2023	2022
	€	€
Loan interest	**10,067**	7,084

8. FINANCE COSTS

	2023	2022
	€	€
Interest on bank loan	**207,609**	102,926
Interest on third party borrowing	**-**	67,288
Interest on lease liabilities	**19,489**	20,232
Other finance costs	**3,337**	-
	230,435	190,446

NOTES TO THE FINANCIAL STATEMENTS - continued

9. INCOME TAX EXPENSE

Tax is provided for at the rate of 35% for Company profits, except for certain bank interest receivable which is taxed at 15% and sale of property which is taxed at 5%.

	2023	2022
	€	€
Current year tax		
Income tax on the taxable income for the year	**-**	-
Final withholding tax	**-**	8,000
Deferred tax		
Movement in deferred tax asset (Note 15)	**71,253**	(36,844)
Movement in deferred tax liability (Note 23)	**208,185**	275,772
Movement in revaluation reserve	**12,251**	12,251
	291,689	259,179

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	2023	2022
	€	€
Profit on ordinary activities before tax	**1,934,521**	6,542,616
Theoretical tax expense at 35%	**677,082**	2,289,916
Tax effect of:		
Expenses disallowable for tax purposes	**302,475**	652,593
Movement in the effect of fair value gain on investment property	**(687,868)**	(2,683,330)
	291,689	259,179

10. INTANGIBLE ASSETS

	Licences	**Non-compete rights**	**Brand**	**Total**
	€	**€**	**€**	**€**
Cost				
At 01 January 2023	349	150,000	41,000	191,349
Additions	-	-	25,000	25,000
At 31 December 2023	**349**	**150,000**	**66,000**	**216,349**
Provision for diminution value				
At 01 January 2023	305	60,000	16,400	76,705
Amortisation for the year	35	30,000	13,200	43,235
At 31 December 2023	**340**	**90,000**	**29,600**	**119,940**
Net book value				
At 31 December 2022	44	90,000	24,600	114,644
At 31 December 2023	**9**	**60,000**	**36,400**	**96,409**

NOTES TO THE FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets €	Building improvements €	Office equipment €	Furniture and fixtures €	Other assets €	Total €
Cost						
At 01 January 2023	1,035,369	100,806	40,742	38,285	44,683	1,259,885
Additions	-	-	2,519	-	10,166	12,685
At 31 December 2023	**1,035,369**	**100,806**	**43,261**	**38,285**	**54,849**	**1,272,570**
Depreciation						
At 01 January 2023	322,112	20,838	30,379	25,568	28,050	426,947
Charge for the year	46,016	2,016	5,095	1,257	9,946	64,330
At 31 December 2023	**368,128**	**22,854**	**35,474**	**26,825**	**37,996**	**491,277**
Net book value						
At 31 December 2022	713,257	79,968	10,363	12,717	16,633	832,938
At 31 December 2023	**667,241**	**77,952**	**7,787**	**11,460**	**16,853**	**781,293**

12. INVESTMENT PROPERTIES

	Right-of-use assets €	Investment properties €	Total €
Fair Value			
At 01 January 2023	1,096,669	73,637,963	74,734,632
Additions	3,364	1,339,814	1,343,178
Transfers from non-current assets held for sale	-	350,000	350,000
Fair value movement	(52,656)	2,017,994	1,965,338
At 31 December 2023	**1,047,377**	**77,345,771**	**78,393,148**
Provision			
At 01 January 2023	101,669	969,323	1,070,992
Depreciation	10,708	183,485	194,193
At 31 December 2023	**112,377**	**1,152,808**	**1,265,185**
Net book value			
At 31 December 2022	995,000	72,668,640	73,663,640
At 31 December 2023	**935,000**	**76,192,963**	**77,127,963**

Depreciation relates to the depreciation of improvements and furniture currently included in Investment Property. The depreciable amount is allocated on a systematic basis to each accounting period over its useful life.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. INVESTMENT PROPERTIES - continued

Lessor commitments

	2023	2022
	€	€
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	**372,545**	381,454
Between 1 and 2 years	**384,607**	389,739
Between 2 and 3 years	**384,752**	402,268
Between 3 and 4 years	**390,053**	402,944
Between 4 and 5 years	**331,575**	408,791
Over 5 years	**763,847**	1,275,919
	2,627,379	3,261,115

Fair value of investment property

The book value of the property held by the Company has been increased by €1,965,338 (2022: €7,666,656) to reflect the established fair value as at 31 December 2023, reflecting several different factors and adjustments to the individual property values, including the downward adjustment to certain property categories resulting from the market changes and developments of the past two years, and reflecting improvements and additions to the portfolio during the year, resulting from the acquisition and development activity of the Company.

It is important to note that the Company has not recognised any value over the costs incurred for its contracts and promises of sale of property which have not yet been fully acquired, but binding contracts are existing, and is conservatively left out of the book value of the Company.

The Company considers that the current macroeconomic conditions (e.g. high interest rates, yields and vacancy expectations) are properly reflected in its fair value measurements.

Valuation process

As is usually done by the Company, on an annual basis, during the reporting year it has carried out a full property valuation exercise, performed by an independent professional valuer to assess the market value of its assets, whether these are owned or leased. The report was prepared by Edwin Mintoff Architects (EMA) in their capacity of a warranted architect and civil engineers, as independent asset valuers. This full valuation report was prepared on a market value basis, based on the principles defined by the Royal Institute of Chartered Surveyors (‘RICS’) Standards and applicable adjustments, which are made for property specific conditions, namely development project status or operational conditions and completed in January 2024, as part of the annual asset valuation exercise.

On this basis, the Board of Directors has made its own assessment which has considered the overall valuation values of the independent reports but was also assessing the various specific developments and adjusted for property-specific status of the ongoing development projects, as well as the investment value potential for the Company’s asset portfolio. The assessment of the fair market value of the Company’s asset portfolio performed by the Board of Directors as at the end of the reporting period is considered conservative and is based on careful assessment of the available independent valuation reports, market information and consideration of the actual market conditions and forecasts.

Valuation techniques

It should be noted that the actual price (liquidation value) which the Company might obtain, if forced to sell all properties in the short term, might be lower than the estimated figures accepted as fair market value of the specific assets, as this is usual in similar cases. In addition, there are several risks and discount factors

NOTES TO THE FINANCIAL STATEMENTS - continued

12. INVESTMENT PROPERTIES - continued

Valuation techniques - continued

associated specifically with the nature and operation of the Company's strategy and its line of business, which were taken into account in establishing the fair market value of the properties and related assets reflected in the Directors assessment, namely:

- Ability to match the forecasted schedule and development budgets;
- Securing the necessary finance for all development related expenses (beyond the currently available funds) for all the projects within a short time frame might prove difficult;
- Securing the necessary development and operational permits within a relatively short time frame for all the planned development projects might not materialise in time, resulting in delays or undue strain on resources and finance and overall increased development costs and delayed proceeds from operation;
- Finding prospective buyers or partners or operators for some or all the projects within a short time frame might not be possible at the forecasted terms and conditions;
- The development and execution risks required to make some of these properties operational (particularly the Silver Horse Block Phase 2 project) are considered high; and
- The impact of changing general market conditions and regulatory risks associated with the operation of finished and managed properties is a risk itself.

Directors' assessment

As of the end of year 2023, the Directors' Valuation Report of the Company represents conservatively updated values for each of the assets of the Company, but adjusted for the specific developments of some properties which are under development or change in legal status (contracts), as also recommended by the Guidance Note of Kamara tal-Periti (KtP) and as usual under the standard industry practices.

Nevertheless, based on independent experts' opinions and other available information, the Directors are at the opinion that the Valletta property market is significantly less vulnerable to the short-term volatility than other property markets in Malta and there is no material adverse change experienced in market values as of the date of this report.

Given the above, as of 31 December 2023, the Directors approved a total value of the properties of the Company amounting to €77,127,963 (2022: €73,663,640). It is to be noted that the Directors established their valuation report considering the recommendations of the independent valuers' report for adjustments of the fair market value in specific assets of the Company's owned properties, as a result of the market changes and current conditions experienced in the Valletta property market. Projects under development or completed but not yet operational at the time of the valuation were reflected based on the actual estimated project value, at the time, with values of fully developed assets to be realised at full completion.

The Directors have also confirmed that the long-term operational expectations remain unchanged in terms of projected long-term achievable revenues and operational profitability from operation or sale of the fully developed assets of the Company.

The Company uses the application of IFRS 16 which permits the recognition of leased properties in the statement of financial position. Also, the Company considers managed properties at the same approach as leased, based on the long-term contracts with owners and de facto control of these properties.

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INVESTMENT IN SUBSIDIARIES

Subsidiary	Registered address	Class of shares	% of ownership 2023	2022
VREM Ltd	54, Marsamxett Road Valletta VLT 1853 Malta	Ordinary shares	**100**	100
Silver Horse Block Ltd	54, Marsamxett Road Valletta VLT 1853 Malta	Ordinary shares	**100**	100

VREM Ltd was established in 2016 to be the hospitality operator of the Company and manages all the short-let and long-let properties of the Company on retail market. The Company recognises the investment in VREM Ltd at its cost of €10,000.

Silver Horse Block Ltd was established in 2017 as a SPV for development projects, currently holding no material assets, not commencing any activity and being inactive. The Company recognises the investment in Silver Horse Block Ltd at its cost of €1,200.

The following table summarises the financial information of the Company's subsidiaries as at and for the year ended 31 December 2023.

	Capital and reserves	Profit
Subsidiaries	**€**	**€**
VREM Ltd	50,011	56,237
Silver Horse Block Ltd	1,200	-

14. LOAN RECEIVABLE

	2023	2022
	€	€
Loan receivable (non-current) (i)	**-**	113,771
Loan receivable (current) (i)	**119,961**	-
	119,961	113,371

(i) Loan receivable bears 6% interest rate per annum and is expected to be collected in June 2024.

15. DEFERRED TAX ASSETS

The asset for deferred tax is analysed as follows:

	2023	2022
	€	€
Excess of capital allowances over depreciation	**(82,340)**	(72,310)
Unabsorbed tax losses and capital allowances	**124,077**	285,677
Lease liabilities	**100,377**	-
	142,114	213,367

NOTES TO THE FINANCIAL STATEMENTS - continued

15. DEFERRED TAX ASSETS - continued

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provision was made for deferred tax for all temporary differences, except of fair value adjustment for investment property, on the basis of the liability method using a principal tax rate of 35%. The deferred tax asset movement is made up of:

	2023 €	2022 €
Balance at beginning of the year	**213,367**	176,523
Movement in the excess of capital allowances over depreciation	**(10,031)**	(15,221)
Movement in unabsorbed tax losses and capital allowances	**(161,599)**	52,065
Recognition of deferred tax asset on lease liabilities	**100,377**	-
Balance at end of year	**142,114**	213,367

16. NON-CURRENT ASSETS HELD FOR SALE

In 2022, the Company has decided to dispose some of its assets in the city of Valletta. For some of these properties, a promise of sale agreement was signed in December 2022 and transaction was closed 2023.

As at 31 December 2023, the Company does not hold any non-current assets for sale.

17. INVENTORY

In 2022, the Company decided to dispose some of its non-core assets, which were not part of the development plans or not in the city of Valletta, and as such not representing a strategic value. The sale was executed during the year under review.

As at 31 December 2023, the Company does not hold any inventory.

18. TRADE AND OTHER RECEIVABLES

	2023 €	2022 €
Trade receivables (i)	**109,992**	180,069
VAT refundable	**-**	15,488
Other receivables	**39,725**	25,902
Prepayments and accrued income	**44,956**	113,669
	194,673	335,128
Provision for expected credit losses	**(39,055)**	(39,055)
	155,618	296,073

(i) Trade receivables are non-interest bearing and are generally on a 30-day term.

The Company's exposure to credit risk and impairment losses relating to trade and other receivables is disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2023	2022
	€	€
Cash at bank and in hand	**791,063**	1,295,516

20. SHARE CAPITAL AND RESERVES

	2023	2022
	€	€
Share Capital		
Authorised:		
330,000,000 Ordinary shares of €0.20 each	**66,000,000**	66,000,000
Issued and fully paid:		
249,179,183 Ordinary shares in 2023 and		
248,042,645 Ordinary shares in 2022 of €0.20 each	**49,835,837**	49,608,529

The issued share capital of the Company currently consists of 249,179,183 ordinary shares (2022: 248,042,645), of €0.20 each (2022: €0.20). The authorised share capital currently consists of 330,000,000 ordinary shares of €0.20 each.

During the year ended 31 December 2023, the Company issued 1,136,538 number of ordinary shares, €0.20 each, at a premium of €0.06 each, for cash consideration.

As at 31 December 2023, the market price of the ordinary shares on the Malta Stock Exchange ("MSE") was €0.23 each (based on the last trading of shares prior to the end of the year). The trading volume of the Company's shares on MSE is very low compared to the total value of outstanding shares, the free float and the total asset value, and therefore it is considered non-representative as an indication of fair market value of the Company.

The Ordinary shares of the Company participate equally in any payment of dividends or any distribution and return of capital and carry identical rights and voting rights, as specified in the Memorandum and Articles of Association the Company.

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount subscribed for share capital in excess of par value.
General reserve	The amount of the issued share capital reduction after the restructuring in the Company completed in 2019, retained in the Company, not distributed to the shareholders.
Other reserves	Non-distributable reserves for fair value revaluation on the office building.
Retained earnings	All other net earnings or profit after accounting for dividends.

During the year ended 31 December 2023, dividends amounting to €180,000 (0.0726 Euro Cents per ordinary share) (2022: €160,000) were paid.

NOTES TO THE FINANCIAL STATEMENTS - continued

21. BORROWINGS

	2023	2022
	€	€
Non-current		
Bank borrowings	**7,842,118**	7,877,586
Current		
Bank borrowings	**428,513**	337,671

Bank borrowings

The Company has obtained a bank loan under the MDB-guarantee scheme provided to support businesses following the Covid-19 outbreak, which has a subsidised interest rate, in compliance with the MDB loan programme and relevant EU regulations, which results in effective interest rate significantly below market rate. The loan is being amortised as planned.

During 2022, the Company secured a long-term loan facility of €14,500,000, structured to reflect the Company's financing needs, and to secure the necessary funding for its development and acquisitions programme. This loan facility is repayable over a period of 15 years, and is structured into specific, dedicated utilisation purposes. During the year 2023, the Company continued utilising the facility, as per planned schedule, while significant portion of the development loan facility remain unutilised.

The loan facility is secured by a general hypothec over the Company's assets, and special hypothecs over the properties developed under the facility.

The applicable costs of the development banking facilities (e.g. processing fees, commitment fees, legal and professional fees directly related to the facility), were partially recognised in the Statement of Comprehensive Income during the year, in line with the applicable accounting standards, and partially capitalised on Investment Property, as considered capital expenditure related to development of the Company's properties. The amount of borrowing costs capitalised during the year ended 31 December 2023 was €377,581 (2022: nil).

The carrying amounts of the bank borrowings are reasonable approximations of their fair value.

22. LEASE LIABILITIES

The Company leases properties which are utilised in the operations or operated as investment properties, under agreements of between ten to twenty-five years, in some cases with options to extend. The lease contracts have various escalation clauses. On renewal, the terms of the leases are renegotiated.

	2023	2022
	€	€
Minimum lease payments		
Due after more than five years	**277,709**	308,708
Due after one year but within five years	**128,038**	131,835
Due within one year	**34,796**	33,025
Total gross lease liabilities	**440,543**	473,568
Discounting	**(153,752)**	(173,777)
Present value of lease liabilities	**286,791**	299,791

NOTES TO THE FINANCIAL STATEMENTS - continued

22. LEASE LIABILITIES - continued

Movements in lease liabilities during the year are as follows:

	2023	2022
	€	€
At 01 January	**299,791**	311,234
Interest expense	**19,489**	20,232
Gross lease payments	**(32,489)**	(31,675)
At 31 December	**286,791**	299,791

	2023	2022
	€	€
Non-current portion	**270,639**	286,253
Current portion	**16,152**	13,538
At 31 December	**286,791**	299,791

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

	2023	2022
	€	€
Depreciation	**56,724**	62,214
Interest expense	**19,489**	20,232
	76,213	82,446

23. DEFERRED TAX LIABILITIES

	2023	2022
	€	€
Effect of fair value movement on investment property	**4,290,677**	4,165,673
Right-of-use assets	**83,181**	-
	4,373,858	4,165,673

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provision was made for deferred tax for all temporary differences on the basis of the liability method using a principal tax rate at 35%/5%.

	2023	2022
	€	€
Balance at beginning of the year	**4,165,673**	3,889,901
Movement of investment property fair value	**125,004**	275,772
Recognition of deferred tax liability on right-of-use assets	**83,181**	-
Balance at end of year	**4,373,858**	4,165,673

The Company is calculating its deferred tax liability on investment property at 5%, being the rate applied if it had to sell its properties within 5 years of acquisition.

NOTES TO THE FINANCIAL STATEMENTS - continued

24. TRADE AND OTHER PAYABLES

	2023	2022
	€	€
Non-current		
Amounts due to third parties (i)	**-**	16,385
Deposits on lease agreements	**106,485**	72,390
	106,485	88,775
Current		
Trade payables (ii)	**142,248**	344,806
Accruals and other payables	**370,291**	44,927
VAT payable	**14,986**	-
Amounts due to third parties (i)	**16,385**	30,000
Deposits on properties	**-**	51,000
Contract liabilities	**11,904**	-
Amounts owed to shareholder (iii)	**34,000**	273,000
Amounts owed to subsidiary (iv)	**205,583**	199,983
	795,397	943,716

(i) The amounts due to third parties represent - among others - balances due arising from the purchase of properties. The balance payable is reflected in the Company's accounts.

(ii) Trade payables are non-interest bearing and are normally on 30 to 60 day term.

(iii) The amounts owed to shareholder are fees owed for executive management services based on a service contract. These are unsecured, interest-free, and repayable on demand.

(iv) The amounts owed to subsidiary represent the cash portion due to the 100% owned subsidiary VREM Ltd, due to the fact that the Company operates a cash pool.

The Company's exposure to liquidity risk relating to trade and other payables is disclosed in Note 27.

25. RELATED PARTY TRANSACTIONS AND DISCLOSURES

The Company is the parent of the companies listed in Note 13 to these financial statements.

The Company has related party relationships with some of its investors or companies over which the Directors exercise significant influence. Transactions are carried out with related parties on an arms-length basis, a regular basis and in the ordinary course of the business.

In the opinion of the Directors, there is no ultimate controlling party of the Company, since no shareholder of VBL Plc has more than 25% of voting rights.

During the year ended 31 December 2023, transactions related to VBLM Ltd. and VREM Ltd are included in the related party transactions as detailed below.

During the year, the Company entered into transactions with related parties as set below.

	2023	2022
	€	€
Rental revenue share - VREM	**425,203**	326,086
Management fees and professional services - VREM	**163,675**	27,500
Rental revenue - Gold Landlord	**5,098**	58,272
Directors travel reimbursement	**2,015**	1,129
Management fees - VBLM	**100,000**	100,000
Capitalised property development expenses - VBLM	**300,000**	300,000

NOTES TO THE FINANCIAL STATEMENTS - continued

25. RELATED PARTY TRANSACTIONS AND DISCLOSURES - continued

The outstanding amounts arising from transactions with the related parties are disclosed in Note 24 to these financial statements.

26. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to equity holders of the Company	**€1,642,832**	€6,283,437
Weighted average number of shares in issue	**248,048,873**	245,036,691
Basic and diluted earnings per share	**€0.0066**	€0.0256

The Company has no instruments or arrangements which give rise to potential ordinary shares and accordingly diluted earnings per share is equivalent to basic earnings per share.

27. FINANCIAL RISK MANAGEMENT

The Company's activities potentially expose it to a variety of financial risks such as market risk (including equity price change risk and interest rate risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge certain risk exposure during the current and preceding financial periods.

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of variable interest rate risks or applying fixed interest rates, and ageing analysis for credit risk.

Risk management is carried out by senior finance executive (‘finance’) under policies approved by the Directors. These policies include identification and analysis of the Company and appropriate procedures, controls and risk limits.

Market risk

Market risk is the risk that changes in market prices (e.g. foreign exchange rates, interest rates and equity prices) will affect the Company’s income or the value of its holdings of financial instruments.

Company’s currency of operation is Euro, all revenues and payables are defined, contracted and accounted in Euro.

The Company is exposed to changes in equity prices and interest rates.

Equity price change risk

The Company is exposed to changes in equity prices (“price risk") in respect of its listed shares, which is not a Company-specific risk, but it is a risk of the equity investors and shareholders. Therefore, the price risk is a relevant risk from the point of view of the Company’s shareholders (investors), holding the listed securities.

NOTES TO THE FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Equity price change risk - continued

The price risk is significantly dependent on the local and global stock market's specifics, the equity trading trends, actual trading volumes and other specifics of the equity market at the Malta Stock Exchange (MSE), and it is less dependent on the Company's actual financial or market performance. It is to be noted that the average trading volume of Company's shares on the stock exchange is very low, both compared to the Company's total equity and property value. During the reporting year 2023, the Company's revenues, overall financial performance and asset values have improved significantly, while the share prices have decreased amidst low trading volume compared to the Company's actual book value. Therefore, the actual changes in equity prices are considered not representative of the Company's actual market or asset value.

The investments in listed equity securities are considered as long-term strategic investment and is regulated and monitored by local authorities, including MFSA, and EU level regulation and authorities. The Directors continuously monitor the stock prices of the Company and assess the impact of potential stock price changes to the Company.

While the experienced trading volumes and cumulative trade in the Company's shares during the year were very low compared to the Company's book value, the following table illustrates the theoretical sensitivity and change of market capitalisation to a possible change in market price.

	Change €	Increase/ (decrease) in profit for the year €	Increase/ (decrease) in equity €
2023	**(0.04)**	**-**	**(9,967,167)**
2022	(0.04)	-	(9,921,706)

Interest rate risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was exposed to changes in market interest rates through its bank borrowings which incurred variable interest rates in the first part of year 2023. The Company has significantly reduced this risk by negotiating and securing a fixed interest on it's the entire development loan, applicable from the fourth quarter of year 2023.

The following table illustrates the sensitivity to a reasonably possible change in interest rates. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

NOTES TO THE FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Interest rate risk - continued

	Change Basis points	Increase/ (decrease) in profit for the year €	Increase/ (decrease) in equity €
EURIBOR			
2023	-	-	-
	-	-	-
2022	+10	8,215	8,215
	-10	(8,215)	(8,215)

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of cash at bank and receivables. The Company's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution, to the extent possible. The Company has appropriate policies to ensure that sales of properties and provision of services are made to customers with appropriate credit history, or where this is not possible or practical, alternative risk mitigating practices are applied. In this respect, credit risk with respect to receivables is monitored continuously and the Company places a specific provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible, and, in this respect, the Company has no significant concentration of credit risk. The Company's calculated expected credit losses is immaterial.

	Aging	2023 €	2022 €
Financial asset			
Loans receivable	June-2024	**119,961**	113,711
Trade and other receivables		**155,618**	280,585
Cash and cash equivalents		**791,063**	1,295,516

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity by maintaining adequate reserves and banking facilities to meet its abilities when due, under both normal and stressed conditions. The Directors do not foresee and are unaware of any currently known circumstances whereby the Company would not honour its commitment.

Unused borrowing facilities as at 31 December were as follows:

	2023 €	2022 €
Bank overdrafts	**500,000**	-
Bank borrowings	**7,292,651**	7,660,766
	7,792,651	7,660,766

NOTES TO THE FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Within one year €	One to five years €	More than five years €
2023			
Financial assets:			
Cash and cash equivalents	**791,063**	**-**	**-**
Trade and other receivables	**82,217**	**-**	**-**
Loans receivable	**119,961**	**-**	**-**
	993,241	**-**	**-**
Financial liabilities:			
Bank borrowings	**817,864**	**1,861,769**	**8,274,182**
Lease liabilities	**34,796**	**132,238**	**277,709**
	852,660	**1,994,007**	**8,551,891**
2022			
Financial assets:			
Cash and cash equivalents	1,295,516	-	-
Trade and other receivables	182,404	-	-
Loans receivable	-	113,711	-
	1,477,920	113,711	-
Financial liabilities:			
Bank borrowings	416,676	2,646,633	8,307,182
Lease liabilities	33,025	131,835	308,708
	449,701	2,778,468	8,615,890

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists mainly of cash and cash equivalents as disclosed in Note 19 to these financial statements, items presented within equity in the statement of financial position and borrowings as disclosed in Note 20 and Note 21 to these financial statements, respectively.

The Company's Directors manage the Company's capital structure and make adjustments to it, in the light of changes in economic conditions and according to the originally disclosed strategy. The Company's capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company aims to balance its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Company monitors its capital structure and targets to maintain at all times a healthy gearing ratio. This ratio is calculated as total net borrowings divided by total capital. The Company considers total capital to be equity and total net borrowings, adjusted for deferred tax liabilities. As part of this process, the Company has declared and continues to explore and perform a comprehensive evaluation of strategic financing options and initiatives to unlock and maximise shareholder value going forward. This ongoing process includes considering a number of possible strategic options, including the possibility of raising further capital from strategic and/or financial investors or carrying out equity transactions, including options which might result in a change to

NOTES TO THE FINANCIAL STATEMENTS - continued

27. FINANCIAL RISK MANAGEMENT - continued

Capital risk management - continued

the shareholding or capital structure of the Company. Any decisions on the selection of specific strategic options are made regularly and adequately communicated to the market, under the applicable rules and regulations.

The Company's overall business and development strategy remains unchanged from the prior year.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings (Note 21) €	**Lease liabilities (Note 22) €**	**Total €**
Balance at 01 January 2023	8,215,257	299,791	8,515,048
Drawdowns	368,014	-	368,014
Repayments	(312,640)	(13,000)	(325,640)
Interest paid	(514,481)	(19,489)	(533,970)
Non-cash transactions:			
Interest expense	207,609	19,489	227,098
Accrued interest	(70,709)	-	(70,709)
Capitalised borrowing costs	377,581	-	377,581
Balance at 31 December 2023	**8,270,631**	**286,791**	**8,557,422**

	Bank borrowings (Note 21) €	Third party borrowings (Note 21) €	Lease liabilities (Note 22) €	Total €
Balance at 01 January 2022	1,625,903	2,000,000	311,234	3,937,137
Drawdowns	6,839,234	-	-	6,839,234
Repayments	(249,880)	(2,000,000)	(11,443)	(2,261,323)
Interest paid	(102,926)	(67,288)	(20,232)	(190,446)
Non-cash transactions:				
Interest expense	102,926	67,288	20,232	190,446
Balance at 31 December 2022	8,215,257	-	299,791	8,515,048

NOTES TO THE FINANCIAL STATEMENTS - continued

29. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

There were no transfers between levels during the year.

The valuation of investment properties at fair value is categorised as level 3. Details of the valuation techniques are disclosed in Note 12 to these financial statements.

30. CAPITAL COMMITMENTS

The Company's mid-term projected capital commitments are detailed in the Listing Prospectus, under the chapter of Prospective Financial Information, and reflects the Directors expectation with respect to the future operation of the Company for the 5-year financial period. Regular updates and adjustments to these plans are performed and communicated to align the plans to the market reality and actual conditions, while the overall strategy remains unchanged. The basis of preparation and key underlying assumptions are also detailed in the Listing Prospectus, monitored and updated regularly. As of the end of the reporting period, these are materially unchanged and implemented along the originally projected timeframes, with interim delays or changes in development plans communicated and slight adjustments implemented to reflect the expected market and other impacts resulting from the development activity.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of VBL Plc ("the Company") set out on pages 21 - 48, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Our opinion is consistent with our additional report to the Audit Committee in accordance with the provision of Article 11 of the EU Regulation No. 537/2014 on specific requirements regarding statutory audits of public-interest entities.

Basis for Opinion

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

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

The non-audit services that we have provided to the Company during the year are disclosed in Note 5 to these financial statements.

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INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements - continued

Key Audit Matters

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

Valuation of Investment Properties

The Company's investment properties are carried at fair value of €77,127,963 as at 31 December 2023.

Further details are included in Note 12 to the financial statements.

The existence of significant estimates used to arrive at the fair value of the property, could result in a potential material misstatement by virtue of the inherent limitations underlying the estimations. Consequently, specific audit focus and attention was given to this area. The valuation of the property was performed by management on the basis of valuation reports prepared by an independent qualified valuer and the Board of Directors' assessment which considers various specific developments and adjusted for property-specific status of the ongoing development projects, as well as the investment value potential for the VBL asset portfolio.

Audit Response

We understood and evaluated the assessment performed by management on the basis of the revaluations performed by a professional qualified valuer and the Board of Directors' assessment to ascertain the fair value of the investment properties.

Our audit procedures included amongst others:
- Considering the objectivity, independence, competence and capabilities of the external valuer.
- Considering the objectivity, competence and capabilities of the management and directors.
- Reviewing the methodology used by the external valuer and management to estimate the value of the property.
- Assessing and challenging the significant unobservable inputs and assumptions that were applied in the valuations made.
- Assessing the reasonableness of the valuations by reference to market evidence of transactions for similar properties.
- Conducting discussions with the independent professional valuer, management and directors.

We concluded, based on our audit work, that the outcome of the assessment is reasonable.

In addition, we reviewed the adequacy of disclosures made in Note 12 to the financial statements and concluded that these are adequate.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements - continued

Other Information

The directors are responsible for the other information. The other information comprises the general information, the directors' report, the remuneration report and the statement of the directors, and the statement by the directors on compliance with the Code of Principles of Good Corporate Governance, but does not include the financial statements and our auditors' 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 except as explicitly stated within the *Report on Other Legal and Regulatory Requirements.*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Maltese Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386);
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on the Audit of the Financial Statements - continued

Auditors' 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in their Annual Financial Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures. In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance set out on pages 13 - 20 has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

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INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on Other Legal and Regulatory Requirements - continued

Report on the Remuneration Statement

The Capital Markets Rules issued by the Malta Financial Services Authority requires the directors to prepare a remuneration statement. We are required to consider whether the information that should be provided under the Remuneration Statement has been included.

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

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

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

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

Auditors' responsibilities
Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report, in XHTML format.

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

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

Opinion
In our opinion, the annual financial report for the year ended 31 December 2023 has been prepared in XHTML format in all material respects.

INDEPENDENT AUDITORS' REPORT - continued

To the Shareholders of VBL Plc

Report on Other Legal and Regulatory Requirements - continued

Other matters on which we are required to report by exception

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

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

We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Appointment

We were first appointed to act as auditors of the Company by the shareholders of the Company on 14 December 2021 for the year ended 31 December 2021, and we were subsequently reappointed by the shareholders at the Company's general meeting for the financial year thereafter. The period of uninterrupted engagement as statutory auditor of the Company is three financial periods.

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

RSM Malta
Registered Auditors

24 April 2024