

THE ONA REAL ESTATE LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2023

Company No. C-83842

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THE ONA REAL ESTATE LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2023

| | |
|----------------------|--|
| Directors: - | Ms. Cliona Muscat Mr. Justin Cutajar |
| Company Secretary: - | Ms. Cliona Muscat |
| Company number: - | C-83842 |
| Bankers: - | APS BANK p.l.c., APS Centre, Tower Street Tower Street B'Kara BKR 4012 Malta Bank of Valletta p.l.c., 58, Zachary Street, Valletta Malta |
| Registered Office: - | AC Hotel St. Julians, 13 Lourdes Lane, San Giljan, STJ 3311 Malta |
| Auditors: - | VCA Certified Public Accountants Finance House, First Floor, Princess Elizabeth Street Ta' Xbiex XBX 1102 Malta |

The Directors present their report and the audited financial statements of The Ona Real Estate Ltd (The Company) for the year ended 31st December 2023.

Principal activities

The statement of profit and loss and other comprehensive income for the year is set out on page 6. The principal activity of the Company is the holding of property held for development and resale and the holding of investment property.

Review of business

During the current year, the Company made a profit before taxation of €279,892 (2022 €632,669) mainly emanating from the operations of the AC Marriott Hotel which started operating from 23rd May 2023.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 6. The Directors do not recommend the payment of a final dividend and propose to transfer the retained profits to reserves.

THE ONA REAL ESTATE LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2023

Directors

The Directors in office at the end of the year are listed above.

The Directors served on the board throughout the year and in accordance with the Company's memorandum and articles of association, all the Directors are to remain in office.

Directors' Responsibilities

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

In preparing the financial statements, the director should: -

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Chap. 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.

Auditors

A resolution to reappoint VCA Certified Public Accountants as auditor of the Company will be proposed at the forthcoming annual general meeting.

This report was approved by the board of Directors and authorized for issue on 29th April 2024 and signed on its behalf by:



Ms. Cliona Muscat
Director



Mr. Justin Cutajar
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ONA REAL ESTATE LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Ona Real Estate Ltd, (the Company) set out on pages 6 to 29, which comprise the Company's statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Company's financial statements 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 period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386), enacted in Malta.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ONA REAL ESTATE LTD

Responsibilities of the Directors

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

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

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 are 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.
- 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.
- 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ONA REAL ESTATE LTD

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 provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

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

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

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

This copy of the audit report has been signed by:

A handwritten signature in blue ink, appearing to read 'Michael Curmi', is written over a horizontal line.

MICHAEL CURMI

for and on behalf of

VCA CERTIFIED PUBLIC ACCOUNTANTS

29th April 2024

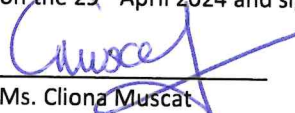
THE ONA REAL ESTATE LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2023

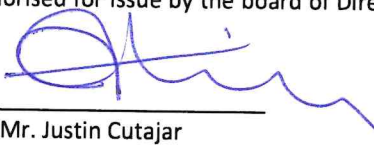
| | <i>Notes</i> | 2023 | 2022 |
|-----------------------------------|--------------|--------------------|--------------------|
| | | € | € |
| Turnover | 4 | 3,646,721 | 2,647,500 |
| Cost of sales | 7 | (1,008,557) | (1,926,286) |
| Direct Cost | 7 | (667,420) | (73,481) |
| Gross profit | | 1,970,744 | 647,733 |
| Administrative expenses | 7 | (507,358) | (15,085) |
| Operating profit | | 1,463,386 | 632,648 |
| Other expenses | 7 | (66,860) | - |
| Finance costs | 6 | (479,964) | - |
| Investment income | 5 | 22 | 21 |
| Depreciation | 10 | (506,255) | - |
| Profit before taxation | | 410,329 | 632,669 |
| Tax expense | 9 | (130,437) | (114,392) |
| Profit for the year | | 279,892 | 518,277 |
| Total Comprehensive income | | 279,892 | 518,277 |

THE ONA REAL ESTATE LTD
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST DECEMBER 2023

| | <i>Notes</i> | 2023 € | 2022 € |
|-------------------------------------|--------------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 25,392,265 | - |
| PPE under development | 11 | - | 18,816,239 |
| | | <u>25,392,265</u> | <u>18,816,239</u> |
| Current assets | | | |
| Inventory | 12 | 4,124,401 | 2,713,289 |
| Trade and other receivables | 13 | 937,872 | 1,669,520 |
| Cash and bank balances | 18 | 628,767 | 662,422 |
| | | <u>5,691,040</u> | <u>5,045,231</u> |
| Total Assets | | <u>31,083,305</u> | <u>23,861,470</u> |
| Equity And Liabilities | | | |
| Capital and reserves | | | |
| Share capital | 19 | 300,000 | 300,000 |
| Retained earnings | | 3,307,852 | 3,027,960 |
| Total equity | | <u>3,607,852</u> | <u>3,327,960</u> |
| Non-current liabilities | | | |
| Borrowings | 17 | 2,595,370 | 1,581,816 |
| Deferred tax liability | 14 | 108,744 | - |
| Other financial liabilities | 16 | 19,408,380 | 14,376,923 |
| | | <u>22,112,494</u> | <u>15,958,739</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 3,851,717 | 2,359,211 |
| Other financial liabilities | 16 | 1,511,243 | 2,215,560 |
| | | <u>5,362,960</u> | <u>4,574,771</u> |
| Total liabilities | | <u>27,475,453</u> | <u>20,533,510</u> |
| Total equity and liabilities | | <u>31,083,305</u> | <u>23,861,470</u> |

These financial statements on pages 6 to 29 were approved and authorised for issue by the board of Directors on the 29th April 2024 and signed on its behalf by:


 Ms. Cliona Muscat
 Director


 Mr. Justin Cutajar
 Director

THE ONA REAL ESTATE LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2023

| | Share capital € | Retained earnings € | Total € |
|--|--------------------------------|------------------------------------|-------------------------|
| Balance as at 1 January 2022 | 300,000 | 2,514,683 | 2,814,683 |
| Profit for the year | - | 518,277 | 518,277 |
| <i>Transactions with owners in their capacity as owners:</i> | | | |
| Dividends paid | - | (5,000) | (5,000) |
| Balance as at 31st December 2022 | <u>300,000</u> | <u>3,027,960</u> | <u>3,327,960</u> |
| Profit for the year | - | 279,892 | 279,892 |
| Balance as at 31st December 2023 | <u>300,000</u> | <u>3,307,852</u> | <u>3,607,852</u> |

THE ONA REAL ESTATE LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2023

| | <i>Notes</i> | 2023 € | 2022 € |
|--|--------------|--------------------|---------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 410,328 | 632,669 |
| Adjustment for: | | | |
| Investment income | | (22) | (21) |
| Amortisation | | (8,750) | - |
| Depreciation | | 506,255 | - |
| Finance costs | | 479,964 | - |
| Operating profit before working capital movements | | 1,387,775 | 632,648 |
| Movement in inventory | | (1,411,112) | (1,068,131) |
| Movement in trade and other receivables | | 910,724 | 1,078,889 |
| Movement in trade and other payables | | 1,492,506 | 2,237,138 |
| Cash flows generated from operations | | 2,379,893 | 2,880,544 |
| Interest payable | | (479,964) | - |
| Income tax paid | | (21,693) | (135,410) |
| Net cash flows generated from operating activities | | 1,878,236 | 2,745,134 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment under development | | (7,082,280) | (18,816,756) |
| Interest received | | 22 | 21 |
| Net cash flows used in from investing activities | | (7,082,258) | (18,816,735) |
| Cash flows from financing activities | | | |
| Related parties | | 4,148,063 | 15,260,993 |
| Inflow/Repayment of bank loans | | 722,304 | 566,698 |
| Dividends paid | | - | (5,000) |
| Third party loans | | 300,000 | - |
| Net cash flows generated from financing activities | | 5,170,367 | 15,822,691 |
| Net movement in cash and cash equivalents | | (33,655) | (248,910) |
| Cash and cash equivalents at the beginning of the year | | 662,422 | 911,332 |
| Cash and cash equivalents at the end of the year | 18 | 628,767 | 662,422 |

THE ONA REAL ESTATE LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

1. General information

The Ona Real State Ltd (the 'Company') is a limited liability Company domiciled and incorporated in Malta. The registered office of the Company is AC Hotel St. Julians, 13 Lourdes Lane, San Giljan, STJ 3311.

These financial statements were approved for issue by the Directors on 29th April 2024. The Company's presentation as well as functional currency is denominated in €.

The Company forms part of a Group of companies, the ultimate beneficial owner being The Ona p.l.c.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act, 1995.

Basis of measurement

These financial statements have been prepared under the historical cost basis and on the going concern basis.

Going concern basis

As at date of signing these financial statements, based on the information currently available, the Directors confirm that they have reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Standards, interpretations and amendments to published standards effective in 2023.

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting year beginning on 1 January 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2024. The Company has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

3. Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below:

Property, plant and equipment

All property, plant and equipment are initially recorded at cost and subsequently stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount 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. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

3. Principal accounting policies (continued)

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Land is not depreciated. Depreciation is provided for on the straight-line method in order to write off cost over the expected useful economic lives of the assets as follows:

| | Years |
|--|--------------|
| Land & buildings | 50 |
| Furniture, fittings & soft furnishings | 10 |
| Equipment | 5 - 6 |
| Computer & Electronic Equipment | 4 |
| Other fixed assets | 10 - 15 |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Financial instruments

Financial assets

Recognition and derecognition

The Company recognises a financial asset initially at fair value in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company's financial assets are measured at amortised cost in their entirety.

Classification and subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company's debt instruments principally comprise loans and advances to other undertakings and investments.

The Company's debt instruments are subsequently measured at amortised cost.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets measured at amortised cost.

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

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

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

3. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance, measured in accordance with the Company's accounting policy 'Impairment of financial assets' further below.

Changes in the carrying amount of financial assets carried at amortised cost, as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss. On derecognition, any difference between the carrying amount and the consideration received is recognised in profit or loss and is presented separately in the line item 'Gains and losses arising from the derecognition of financial assets measured at amortised cost'.

Impairment of financial assets

In terms of IFRS 9, the Company applies an expected credit loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The Company has to assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost.

For trade and other receivables, the Company uses the general approach, which requires an assessment as to whether the counterparty has experienced a significant increase in credit risk since initial recognition. This assessment forms the basis as to whether lifetime ECL should be recognised and is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. See note 17 for further details.

Financial liabilities

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

Inventories

The main object of the Company is the development of land acquired for development and resale. This development is intended in the main for resale purposes and is accordingly classified in the financial statements as Inventory. Any elements of a project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, plant and equipment or investment properties when such identification is made, and the cost thereof is made and the cost thereof can reliably be segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during the subsequent development, including:

- i. The cost incurred on development works, including demolition, site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security.
- ii. The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.
- iii. Any borrowing costs, including imputed interest, attributable to the development phases of the project.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

3. Principal accounting policies (continued)

Inventories (continued)

The purchase cost of acquiring the land represents the cash equivalent of the contracted price. This was determined at date of purchase by discounting to present value the future cash outflows comprising the purchase consideration.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Trade and other receivables

Trade receivables are amounts due from customers for units sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the nominal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in policy 'Impairment of financial assets' and note 17.

Trade and other payables

Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

Bank Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds and the redemption value is recognized in the income statement over the year of the borrowings using the effective interest method, unless the effect of discounting is immaterial.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Other borrowings

Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method, unless the effect of discounting is immaterial.

Ordinary shares issued by the Company

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position. Bank deposits that the Directors do not consider a component of cash equivalents, are presented separately in the statement of financial position.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

3. Principal accounting policies (continued)

Provisions

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

Impairment of non-financial assets

All non-financial assets are tested for impairment. At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value (which 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) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or group of assets (cash generating units). Impairment losses are recognized immediately in the income statement, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

An impairment loss recognized in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Revenue recognition

Sale of property

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold 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. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the Company, are treated as payments received on account and presented within trade and other payable.

Other operating income

Other operating income consisting of rental income is recognised on an accruals' basis. Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

3. Principal accounting policies (continued)

Borrowing costs

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

Taxation

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current 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.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Transactions denominated in currencies other than the functional currency are translated at the exchange rates

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
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3. Principal accounting policies (continued)

Foreign currencies (continued)

ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are recognised in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The board of the Ona Real Estate Ltd, with the guidance of the Chief Executive Officer and Chief Financial Officer, (collectively, "the Board"), assesses the financial performance and position of the Group and make strategic decisions. The Board has been identified as being the CODM.

Related parties

Related parties are those persons or bodies of persons having relationships with the Company as defined in International Accounting Standard No. 24.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In the opinion of the Company's Directors, except as follows, 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 IAS1 (revised).

Expected credit loss allowances on trade and other receivables

Credit loss allowance represent management's best estimate of expected credit losses in the financial assets subject to IFRS 9 impairment requirements at the balance sheet date. In this respect the Directors are required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The Company uses the PD, LGD and EAD models in assessing loans and receivable and the provision matrix model for trade receivables to support the measurement of ECL. Under both methods the ECL were deemed to be immaterial and hence no adjustments were made to these financial statements.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

4. Segment information and revenue from contracts with customers

4.1 Segment information

This note discloses information regarding the Group's reportable segments. The Company is not required to and does not present segment information.

The standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group's CODM, consisting of the board of directors and the chief executive officers and chief financial officer examine the Group's performance namely from an industry/product perspective and has identified two reportable segments – hospitality operations, property development and other related operations.

The CODM assesses performance based on the measure of EBITDA (earnings before interest, tax and depreciation) and revenue of the operating segments.

The Group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the CODM. Additionally, since all of the Group's non-current assets are located in Malta, the geographical information that would have otherwise been required by IFRS 8, is not presented in these consolidated financial statements.

| 2023 | Property Development | Hospitality Operations | Unallocated | Total |
|--|---------------------------------|-----------------------------------|--------------------|-------------------|
| | € | € | € | € |
| Revenue | 384,000 | 3,262,721 | - | 3,646,721 |
| Operating expenses | (291,938) | (716,619) | - | (1,008,557) |
| Direct costs | (1,322) | (666,098) | - | (667,420) |
| Gross operating profit | 90,740 | 1,880,004 | - | 1,970,744 |
| Administrative expenses | - | (507,358) | - | (507,358) |
| Group EBITDA | 90,740 | 1,372,646 | - | 1,463,386 |
| Other expenses | - | (66,860) | - | (66,860) |
| Finance costs | - | (479,964) | - | (479,964) |
| Investment income | - | 22 | - | 22 |
| Depreciation | - | (506,255) | - | (506,255) |
| Profit before tax | 90,740 | 319,589 | - | 410,329 |
| Tax charge | (21,690) | (3) | - | (21,693) |
| Deferred tax charge | - | (108,744) | - | (108,744) |
| Profit for the year | 69,050 | 210,842 | - | 279,892 |
| Segment assets non-current | - | 25,392,265 | - | 25,392,265 |
| Segment assets current | 3,973,274 | 446,311 | 1,271,455 | 5,691,040 |
| | 3,973,274 | 25,838,576 | 1,271,455 | 31,083,305 |
| Segment liabilities non-current | 2,412,864 | 16,471,914 | - | 18,884,778 |
| Segment liabilities current | 534,610 | 8,039,647 | 16,418 | 8,590,675 |
| | 2,947,474 | 24,511,561 | 16,418 | 27,475,453 |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

4. Segment information and revenue from contracts with customers (continued)

4.1 Segment information (continued)

| 2022 | Property Development € | Hospitality Operations € | Unallocated € | Total € |
|-----------------------------------|---------------------------------------|---|--------------------------|--------------------|
| Revenue | 2,647,500 | - | - | 2,647,500 |
| Operating expenses | (1,926,286) | - | - | (1,926,286) |
| Direct costs | (73,481) | - | - | (73,481) |
| Gross operating profit | 647,733 | - | - | 647,733 |
| Administrative expenses | (255) | (14,830) | - | (15,085) |
| Group EBITDA | 647,478 | (14,830) | - | 632,648 |
| Investment income | - | 21 | - | 21 |
| Profit/(loss) before tax | 647,478 | (14,809) | - | 632,669 |
| Tax charge | (114,392) | - | - | (114,392) |
| Profit/(loss) for the year | 533,086 | (14,809) | - | 518,277 |
| Segment assets non-current | - | 18,816,239 | - | 18,816,239 |
| Segment assets current | 2,773,789 | 1,438,597 | 832,845 | 5,045,231 |
| | 2,773,789 | 20,254,836 | 832,845 | 23,861,470 |
| Segment liabilities non-current | 1,581,816 | 14,376,923 | - | 15,958,739 |
| Segment liabilities current | 281,050 | 4,120,827 | 172,894 | 4,574,771 |
| | 1,862,866 | 18,497,750 | 172,894 | 20,533,510 |

4.2 Revenue from contracts with customers

i. Disaggregation of revenue from contracts with customers

| | 2023 € | 2022 € |
|--|-------------------|-------------------|
| <i>Real estate segment</i> | | |
| - Sale of property held for development and resale | 384,000 | 2,647,500 |
| <i>Hospitality Segment</i> | | |
| - Accommodation and related services | 2,921,538 | - |
| - Other services | 341,183 | - |
| | 3,646,721 | 2,647,500 |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

4. Segment information and revenue from contracts with customers (continued)

4.2 Revenue from contracts with customers (continued)

ii. Liabilities related to contracts with customers

The Company has recognized the following liabilities relating to contracts with customers:

| | 2023 | 2022 |
|--|----------------------|----------------|
| | € | € |
| <i>Contract liabilities (note 16):</i> | | |
| Advanced deposits – real estate segment | - | 281,050 |
| Deferred income – accommodation and related services | 25,745 | - |
| | <u>25,745</u> | <u>281,050</u> |

iii. Revenue recognized that was included in the deferred income balance at the beginning of the year

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

| | 2023 | 2022 |
|-----------------------------|----------------|---------------|
| | € | € |
| Property trading operations | 281,050 | 75,300 |

5. Investment income

| | 2023 | 2022 |
|-----------------|-------------|-------------|
| | € | € |
| Interest income | 22 | 21 |

6. Finance cost

| | 2023 | 2022 |
|-------------------------|----------------|-------------|
| | € | € |
| Interest on other loans | 479,964 | - |

Interest on other financial liabilities amounted to €831,040 (2022: €447,838) advanced from the Parent Company and commonly controlled entities as disclosed in note 16. In 2023, the amount of €351,076 (2022: €447,838) have been capitalized to PPE under development as per IAS 23 “borrowing costs”- Refer to note 11. Once the Hotel started operating, i.e. 23rd May 2023, any interest cost incurred was charged to the income statement.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

7. Expenses by nature

| | 2023 | 2022 |
|----------------------------------|------------------|------------------|
| | € | € |
| Cost of development | 291,938 | <i>1,926,286</i> |
| Direct costs | 749,959 | <i>73,481</i> |
| Wages and salaries (note 8) | 757,860 | - |
| Directors' remuneration (note 8) | 66,860 | - |
| Utility expenses | 120,723 | - |
| Franchise fees | 89,393 | - |
| Repairs and maintenance | 31,677 | - |
| Other expenses | 141,785 | <i>15,085</i> |
| | 2,250,195 | <i>2,014,852</i> |

Profit before tax for the Company is stated after charging the following fees in relation to services provided by the external auditors of the Company:

| | 2023 | 2022 |
|-------------------------|--------------|--------------|
| | € | € |
| Annual statutory audit | 8,150 | <i>3,850</i> |
| Tax compliance services | 500 | <i>500</i> |
| | 8,650 | <i>4,350</i> |

8. Staff costs and employee information

| | 2023 | 2022 |
|---|----------------|-------------|
| | € | € |
| Gross wages, salaries and directors' remuneration | 785,134 | - |
| Tax compliance services | 39,586 | - |
| | 824,720 | - |

The average number of persons employed during the year was made up as follows:

| | 2023 | 2022 |
|----------------|-------------|-------------|
| | Number | Number |
| Administrative | 3 | - |
| Operational | 15 | - |
| Directors | 2 | - |
| | 20 | - |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

9. Income tax charge

The Company's income tax charge for the year has been arrived at as follows:

| | 2023 | 2022 |
|---------------------|-----------------------|-----------------------|
| | € | € |
| Current tax charge | 21,693 | <i>114,392</i> |
| Deferred tax charge | 108,744 | - |
| | <u>130,437</u> | <u><i>114,392</i></u> |

The tax expense and the tax charge using the statutory income tax rate of 35% are reconciled as follows:

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| | € | € |
| Profit before taxation | <u>410,329</u> | <u><i>632,669</i></u> |
| Tax charge at 35% | 143,615 | <i>221,434</i> |
| Prior year tax adjustment | - | <i>(21,018)</i> |
| Difference resulting from different tax rates on bank interest received | - | <i>(4)</i> |
| Tax effect of non-taxable income | (3,063) | - |
| Deferred tax movement not recognised in prior year | (43) | - |
| Expenses disallowed for tax purposes | 102,642 | <i>5,280</i> |
| Difference arising on income subject to withholding tax on sales | (112,714) | <i>(91,300)</i> |
| Tax charge | <u>130,437</u> | <u><i>114,392</i></u> |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

10. Property, plant and equipment

| | Land & Buildings € | Furniture & Fittings € | Equipment € | Computer Equipment € | Other Fixed Assets € | Total € |
|--|-----------------------|---------------------------|----------------|-------------------------|-------------------------|-------------------|
| Cost | | | | | | |
| As at 1 st January 2023 | - | - | - | - | - | - |
| Reclassification from PPE under development to PPE | 18,571,310 | 3,211,911 | 369,315 | 346,438 | 3,399,546 | 25,898,520 |
| Additions | - | - | - | - | - | - |
| As at 31st December 2023 | 18,571,310 | 3,211,911 | 369,315 | 346,438 | 3,399,546 | 25,898,520 |
| Depreciation | | | | | | |
| As at 1 st January 2023 | - | - | - | - | - | - |
| Depreciation charge | 79,337 | 187,361 | 39,063 | 50,522 | 149,972 | 506,255 |
| As at 31st December 2023 | 79,337 | 187,361 | 39,063 | 50,522 | 149,972 | 506,255 |
| Net Book Value | | | | | | |
| As at 31st December 2023 | 18,491,973 | 3,024,550 | 330,252 | 295,916 | 3,249,574 | 25,392,265 |
| <i>As at 1st January 2023</i> | - | - | - | - | - | - |

11. Property, plant and equipment under development

| | 2023 € | 2022 € |
|--|--------------|-------------------|
| As at 1 st January | 18,816,239 | - |
| Additions | 7,082,281 | 18,816,239 |
| Reclassification from PPE under development to PPE | (25,898,520) | - |
| As at 31st December | - | 18,816,239 |

12. Inventories

| | 2023 € | 2022 € |
|---|------------------|------------------|
| Other inventories | 169,180 | - |
| Property cost of land and development costs | 3,752,748 | 2,599,409 |
| Capitalised borrowing costs | 202,473 | 113,880 |
| | 4,124,401 | 2,713,289 |

Inventories consist of land acquired for development and resale. This is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land and other costs incurred during the subsequent development.

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

13. Trade and other receivables

| | 2023 | 2022 |
|--|----------------|------------------|
| | € | € |
| Amounts owed by commonly controlled entity (i) | 750,526 | 46,450 |
| Trade receivables | 9,070 | - |
| Other receivables | 39,709 | 164,000 |
| Prepayments (ii) | 63,770 | 1,335,097 |
| Indirect tax refundable | 74,797 | 123,973 |
| | <u>937,872</u> | <u>1,669,520</u> |

i. Amounts owed by commonly controlled entities

These advances are interest free, unsecured and repayable on demand.

ii. Prepayments

In the prior year, the majority of the amount related to deposits paid on works or acquisition of properties.

14. Deferred Taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%/8% (2022: 35%/8%). The movement in the deferred tax account is as follows:

| | 2023 | 2022 |
|--|------------------|----------|
| | € | € |
| At beginning of the year | - | - |
| <i>Recognised in profit or loss:</i> | | |
| Movement in unabsorbed tax losses and capital allowances | 255,896 | - |
| Movement in the excess of capital allowances over depreciation | (364,640) | - |
| | <u>(108,744)</u> | <u>-</u> |
| | 2023 | 2022 |
| | € | € |
| Effect recognised in: | | |
| Deferred tax movement recognised in profit or loss (note 9) | <u>108,744</u> | <u>-</u> |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

14. Deferred Taxation (continued)

The following amounts are shown in the balance sheet:

| | 2023 | 2022 |
|--|-----------|------|
| | € | € |
| <i>Deferred tax assets</i> | | |
| Unabsorbed tax losses and capital allowances | 255,896 | - |
| <i>Deferred tax liabilities</i> | | |
| Effect of excess of capital allowances over depreciation | (364,640) | - |

Reflected in the balance sheet as follows:

| | 2023 | 2022 |
|------------------------|-----------|------|
| | € | € |
| Deferred tax liability | (108,744) | - |

15. Trade and other payables

| | 2023 | 2022 |
|---------------------------------|------------------|------------------|
| | € | € |
| Trade and other payables | | |
| Trade payables | 1,842,671 | 150,756 |
| Other payables | 54,210 | - |
| Accruals | 1,954,836 | 1,927,405 |
| Advanced deposits | - | 281,050 |
| | 3,851,717 | 2,359,211 |

16. Other financial liabilities

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | € | € |
| Falling due after more than one year | | |
| Amounts due from Parent company (i) | 14,525,870 | 13,397,659 |
| Amounts due commonly controlled entities (ii) | 4,882,510 | 979,264 |
| | 20,308,174 | 14,376,923 |
| Falling due within one year | | |
| Amounts due from commonly controlled entities (ii) | 611,449 | 877,460 |
| Amounts due to parent company (i) | 899,793 | 1,338,099 |
| | 1,511,243 | 2,215,559 |
| | 20,919,622 | 16,592,482 |

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NOTES TO THE FINANCIAL STATEMENTS
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16. Other financial liabilities (continued)

Loan from Parent company and commonly controlled entities

By virtue of the Prospectus dated 31st May 2022, The Ona p.l.c. issued for subscription to the general public 160,000 secured bonds having a nominal value of €100 each for an aggregate principal amount of €16,000,000.

Note i: Loan from parent Company

Non-Current

The amount of €13,227,305 in relation to the bond issue have been loaned from The ONA P.L.C to the Company at an interest rate of 5.3%. These loans are secured and to be repaid in full by 21 June 2034.

The remaining €1,298,565 relates to an assignment of loan upon the group re-structuring. This amount is interest free, and the Company has an unconditional right to defer this settlement for at least 12 months after the reporting period.

Current

The amount of €899,793 is unsecured, interest free and repayable on demand.

Note ii: Loan from commonly controlled entities

Non-Current

The amount of €2,285,010 relates to bond proceeds advanced to The Ona Hospitality Limited by the Parent Company and subsequently advanced from The Ona Hospitality Limited to The Ona Real Estate Limited. This amount carries an interest rate of 5.3%.

The remaining amount of €2,597,500 relates to security notes loaned to The Ona Property Developments by the parent Company and subsequently advanced to The Ona Real Estate limited. These amounts are unsecured and interest free.

Current

This amount is unsecured, interest free and repayable on demand

The Company is the guarantor in respect of the Parent Company's bond issue and has undertaken to pay all amounts of principal and interest that will become due and payable by the Parent company to the bondholders.

The carrying amount of the loan is considered a reasonable approximation of its fair value.

17. Borrowings

| | 2023 | 2022 |
|---------------------|-------------------------|-------------------------|
| | € | € |
| Bank borrowings (i) | 2,304,120 | 1,581,816 |
| Third party loans | 291,250 | - |
| | <u>2,595,370</u> | <u>1,581,816</u> |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

17. Borrowings (continued)

i. Bank Borrowings

As at 31st December 2023, the Company had a bank loan of €2,304,120 (2022: €1,581,816) which was granted to end-finance the acquisition and the development of the B’Kara project. The interest rate is at 3.90% (2022: 3.90%) per annum. Repayments are to be made from proceeds derived from the sale of the B’Kara project as laid out in the repayment terms in the sanction letter. The loans are guaranteed by The Ona Real Estates Limited and its shareholders, who have bound themselves jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

18. Cash and equivalents

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

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| | € | € |
| Cash at bank and in hand | 628,767 | 662,422 |

19. Share capital

| | 2023 | 2022 |
|-------------------------------------|----------------|----------------|
| | € | € |
| Authorised | | |
| 300,000 Ordinary shares of € 1 each | 300,000 | 300,000 |
| Issued and fully paid up | | |
| 300,000 Ordinary share of € 1 each | 300,000 | 300,000 |

20. Related party transaction

During the course of the year, the Company entered into transactions with related undertakings all of which arise in the ordinary course of business. The related party transactions were:

| | 2023 | 2022 |
|--|----------------|--------------------|
| | € | € |
| Assignment of loans from related party outside group | - | (1,298,565) |
| Assignment of loans to Parent Company | - | 1,298,565 |
| Finance costs | | |
| Loan interest due Parent Company | 479,964 | - |

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NOTES TO THE FINANCIAL STATEMENTS
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21. Related party transaction (continued)

On 19th April 2022, by virtue of a Group restructuring accounted for under the reorganisation method in these financial statements, the Company assigned the amount of €1,298,565 previously classified as borrowings repayable in full at the option of the lender within 30 days from receipt of notice, owed to related parties outside Group to the ultimate shareholder.

Consequently, these loans were assigned to the new Parent company on 19th April 2022 which resulted in Parent Company becoming the new debtor of the shareholder.

Balances with related parties are disclosed in note 13 and 16 to these financial statements

The Key management personnel include the board of directors.

22. Financial risk management

The Company's activities potentially expose it to a variety of financial risks on its financial assets and financial liabilities. The key components of financial risks to the Company are: market risk (namely, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, and quoted prices, will affect the Company's financial position. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises on its interest-bearing borrowings. Borrowings issued at variable rates, comprising amounts due to Group companies, expose the Company to cash flow interest rate risk. The Company's amounts due to Group companies are subject to an interest rate that varies according to revisions made to the Bank's Base Rate and three-month Euribor. The Directors monitor the level of floating rate borrowings as a measure of cash flow risk taken on.

A shift in interest rates on borrowings at variable rates will however have an impact on profit or loss or other comprehensive income. The Directors consider the potential impact on the Company's profit or loss of a defined interest rate shift of 1.5%, that is reasonably possible, at the end of the reporting period keeping all other variables constant, to amount to +/- 34,560. The impact of a reasonably possible shift in interest rates is not expected to impact the fair value of financial instruments materially and therefore the Directors believe that the potential impact of such a shift on the statement of profit or loss is immaterial.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises from cash and cash equivalents, as well as credit risk exposures to customers, including outstanding receivables and committed transactions. These financial instruments are subject to the Expected Credit Loss model. The Company's exposure to credit risk is analysed in the respective notes in the financial statements.

| | 2023 | 2022 |
|-----------------------------|------------------|------------------|
| | € | € |
| Carrying amounts | | |
| Trade and other receivables | 937,872 | 1,669,520 |
| Cash and cash equivalents | 628,767 | 662,422 |
| | 1,566,639 | 2,331,942 |

THE ONA REAL ESTATE LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

22. Financial risk management (continued)

The Company banks only with local financial institutions with high quality standard or rating. The Company has no concentration of credit risk that could materially impact on the sustainability of its operations.

The Company assesses the credit quality of its customers taking into account financial position, past experience and other factors. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Company's standard payment and service delivery terms and conditions are offered. The Company's review includes external credit worthiness databases when available.

The Company assesses the credit quality of its other receivables taking into account financial position, past experience and other factors. The Company's review includes external credit worthiness databases when available.

Credit risk (continued)

Impairment of financial assets

The Company's financial assets that are subject to the expected credit loss model include:

- Trade and other receivables; and
- Cash and cash equivalents.

Trade and other receivables

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been analysed based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology, the identified expected credit loss allowance on trade and other receivables was deemed immaterial. The movement in loss allowances as at 31 December 2023 is also deemed immaterial by management. On this basis, the information pertaining to loss rates and loss allowances in the Company's provisions matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2023.

Trade and other receivables and accrued income are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 1 year past due.

Cash and equivalents

The Company's cash and cash equivalents are placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Company. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

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22. Financial risk management (continued)

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 is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of trade and other payables and interest-bearing borrowings. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Directors monitor liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year. The carrying amount of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date in the respective notes to the financial statements.

Liquidity risk (continued)

As at the balance sheet date, the Company is in a net current liability position of €2,899,635 (2022: net current asset of €470,460). The Directors of the Company believe that full support of their related parties and the ultimate shareholders will be available as part of the Company's effective financing strategy. As such, the Company is confident that it will meet its commitments as and when they fall due.

The table below analyses the Company's financial liabilities into relevant maturity grouping based on the remaining year at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Liquidity risk (continued)

| | Carrying amount | Contractual cash flows | Within one year | Two to five years | More than five years |
|-----------------------------|-------------------|------------------------|------------------|-------------------|----------------------|
| | € | € | € | € | € |
| 31 December 2023 | | | | | |
| Trade and other payables | 3,851,717 | 3,851,717 | 3,851,717 | - | - |
| Other financial liabilities | 20,919,622 | 29,627,075 | 3,489,999 | 5,904,824 | 20,232,252 |
| Bank borrowings | 2,304,120 | 2,444,104 | 125,590 | 2,318,514 | - |
| Third party loans | 291,250 | - | - | - | - |
| | 27,366,709 | 35,922,896 | 7,467,306 | 8,223,338 | 20,232,252 |

| | Carrying amount | Contractual cash flows | Within one year | Two to five years | More than five years |
|-----------------------------|-------------------|------------------------|------------------|-------------------|----------------------|
| | € | € | € | € | € |
| 31 December 2022 | | | | | |
| Trade and other payables | 2,359,211 | 2,359,211 | 2,359,211 | - | - |
| Other financial liabilities | 16,592,482 | 25,652,480 | 447,838 | 3,324,160 | 21,880,482 |
| Bank borrowings | 1,581,816 | 1,838,861 | 61,691 | 1,777,170 | - |
| | 20,533,509 | 29,850,552 | 2,868,740 | 5,101,330 | 21,880,482 |

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23. Commitments

Capital expenditure

Commitments for capital expenditure not provided for in these financial statements are as follows:

| | 2023 | 2022 |
|---------------------------------|----------------|------------------|
| | € | € |
| Authorised but not contracted | - | - |
| Contracted but not provided for | 227,914 | 6,307,818 |

From the committed amount of €227,914 (2022: €6,307,818), the amount of NIL (2022: €1,218,239) has already been paid in advance and included in note 13 (ii) to the financial statements.

24. Capital management

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

The capital structure of the Company consists of net debt (borrowings as presented in note 16 and note 17 after deducting cash and bank balances, presented in note 18) and equity of the Company (comprising issued capital and retained earnings as presented in the Statement of Changes in Equity). The Company is subject to externally imposed capital requirements by bankers of the Company. These requirements have been met.

The Company monitors the capital structure on a periodic basis by monitoring the balances of assets and liabilities.

25. Fair values

At 31 December 2023, the carrying amounts of payables and receivables approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from their carrying amounts.

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26. Cash flow information

Reconciliation of liabilities arising from financing activities

The table below details 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 Statement of Cash Flows as cash flows from financing activities.

| | As at 1 st January 2023 € | Cash flows € | Other liability related changes € | As at 31 st December 2023 € |
|--------------------------|--|------------------|---|--|
| Bank borrowings | 1,581,816 | 722,304 | - | 2,304,120 |
| Related party borrowings | 16,592,482 | 3,832,140 | - | 20,424,622 |
| Third party loans | - | 300,000 | (8,750) | 291,250 |
| | 18,174,297 | 4,854,444 | (8,750) | 23,019,992 |

| | As at 1 st January 2022 € | Cash flows € | Other liability related changes € | As at 31 st December 2022 € |
|--------------------------|--|-------------------|---|--|
| Bank borrowings | 1,015,118 | 566,698 | - | 1,581,816 |
| Related party borrowings | 1,331,488 | 15,260,993 | - | 16,592,481 |
| | 2,346,606 | 15,827,691 | - | 18,174,297 |

27. Ultimate parent Company

The ultimate parent Company of The Ona Real State Ltd is The Ona p.l.c., a Company registered in Malta, with its registered address at AC Hotel St. Julians, 13 Lourdes Lane, San Giljan, STJ 3311.

28. Comparative figures

Certain comparative figures have been changed to comply with this year's presentations.