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

Company Announcement

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

The Board of Directors of the Guarantor is scheduled to meet on 28 April 2022, to consider and, if appropriate approved the Guarantor's Audited Financial Statements for the financial year ended 31 December 2021.

The Annual General Meeting of the Company and the Guarantor will be held on 28 April 2022 at the registered office of the Company. The following matters will be put for the consideration of its Members, to be decided upon by an Ordinary Resolution:

a. The approval of the Company's and the Guarantor's Audited Financial Statements for the year ended 31 December 2021;

b. Maintaining the Director's remuneration;

c. The re-appointment of the Directors;

d. The re-appointment of the Auditors; and

e. The declaration of dividend.

Dr Reuben Debono

Company Secretary

13 April 2022

FES FINANCE P.L.C.

Annual Report
and
Financial Statements
31 December 2021

Company Registration Number C 89431

CONTENTS

The directors present the annual report together with the audited financial statements of the Company for the year ended 31 December 2021.

Principal Activities

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

Performance Review

During the year, the Company generated finance income amounting to €262,016 (2020: €262,016) from loan advanced to parent company. Interest expense on bonds amounted to €250,000 (2020: €250,000). The Company's profit before taxation amounted to €3,628 (2020: €2,642). After accounting for taxation, the profit for the year amounted to €2,358 (2020: €1,717).

Position Review

The Company's asset base as at 31 December 2021 amounted to €5,312,273 (2020: €5,223,973). The key assets consist of loan receivable from the parent amounting to €5,080,026 (2020: €5,079,040).

The Company's main liabilities consist of €5,000,000 5% Secured Bonds 2029.

Dividends and Reserves

The retained earnings of the Company at the end of the year amounted to €4,496 (2020: €2,138). The directors do not recommend the distribution of a dividend and propose to transfer the profit for the year to reserves.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 20 to these financial statements.

Events Subsequent to the Statement of Financial Position Date

The directors assessed subsequent events from 1 January 2022 through 13 April 2022, the date these financial statements were approved. Through such assessment, the directors have determined that events subsequent to statement of financial position date occurred as reported in note 21 to these financial statements.

Future Developments

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

Directors

Dr. Ruben Debono (Executive and Chairman)
Mr. Christopher Vella (Executive)
Mr. Alex Tanti (Non-Executive) (appointed on 14 September 2021)
Mr. David Woodward (Non-Executive) (appointed on 1 January 2022)
Mr. Paul Bugeja (Non-Executive) (resigned on 31 December 2021)
Mr. Edward Woods (Non-Executive) (resigned on 14 September 2021)

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

Statement of Directors' Responsibilities

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

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

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

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

Auditors

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

Additional disclosures

Going Concern

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

Additional disclosures (continued)

Principal risks and uncertainties associated with the Company

The Company's main objective is that of a finance company for the FES Group consisting of FES Projects Ltd, FES Operations Limited (fellow subsidiary) and Contractors Only Limited (fellow subsidiary). The Company is dependant on the receipt of income from the parent in relation to Bond proceeds which it has advanced in the form of a loan. The parent owns the Euro Guest House boutique hotel, which is operated by FES Operations Limited following a lease agreement entered into between both parties. During the year under review the Euro Guest House was closed down due to the pandemic. Furthermore, this will allow the Group to prepare for the development works which will transform the property into a property for extended stay focused on the retirement market (revival living), once the permit is in hand and additional finance is raised. Throughout the year, the directors monitored closely the impact of events and the ability of the parent to honour its financial commitments. To this regard, Contractors Only Limited was set up during 2020 to introduce a new revenue stream in order to mitigate the effect of economic realities, by repurposing use of resources that the Group developed to provide turnkey projects to third parties.

Taking this into consideration, the parent and the Company are currently materially dependent on the ability of Contractors Only Limited to operate profitably the turnkey business. Through these alternative sources of business, mainly the turnkey operation, cash flows and profits are generated more consistently rather than depending on the strength of the tourism industry. Therefore, the directors are of the view that the amount receivable from the parent by the Company is recoverable.

Management and the board of directors remain confident that the Company will remain operating as a going concern and will continue to honour liabilities as and when they fall due.

Share Capital Structure

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

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

Holdings in excess of 5% of Share Capital

On the basis of information available to the Company, as at 31 December 2021, FES Projects Ltd held 49,998 shares in the Company which is equivalent to 99.996% of its total issued share capital.

There are no arrangements in place as at 31 December 2021, the operation of which may at a subsequent date result in a change in control of the Company.

Appointment and removal of directors

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

Additional disclosures (continued)

Powers of the Directors

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

Directors' Interests

As at 31 December 2021, non-Executive directors have no beneficial interest in the share capital of the Company. The Executive directors have a direct and an indirect beneficial interest in the share capital of the Company through their shares in FES Projects Ltd. The Executive directors are also the ultimate beneficial owners of the Group.

Contracts with Board Members and Employees

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

Material Contracts

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

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

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

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

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

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

Dr. Ruben Debono
Director

Mr. Christopher Vella
Director

Registered Address:
19 - 23,
Conservatory Street,
Floriana

13 April 2022

The Code adopted by the Company

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

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

Compliance with the Code

The Board of Directors (the 'Board') of the Company believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendation. The Company has issued Bonds to the public and has no employees, accordingly some of the provisions are not applicable whilst others are applicable to a limited extent.

The Board

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

Chairperson and Chief Executive Officer

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

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

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

Board Composition

As at 31 December 2021, the Board consists of two executive directors and two non-executive independent directors as follows:
Mr. Christopher Vella – Executive Director
Dr. Ruben Debono – Executive Director
Mr. Alex Tanti – Independent, Non-Executive Director (appointed 14 September 2021)
Mr. Paul Bugeja – Independent, Non-Executive Director (resigned 31 December 2021)

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

On 1 January 2022 Mr. David Woodward was appointed as an independent, non-executive director following the resignation of Mr. Paul Bugeja thereform.

Internal Control

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

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

Attendance at Board Meetings

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

The Board met formally 12 times during the year under review. All members of the Board attended to the meetings held during the period under review.

Committees

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

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

Audit Committee

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

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

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

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

Audit Committee (continued)

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

The Members of the Audit Committee

As at 31 December 2021 the Audit Committee is composed of:

Mr. Alex Tanti (Chairman of the Audit Committee)
Mr. Christopher Vella
Mr. Paul Bugeja (resigned 31 December 2021)

On 1 January 2022 Mr. David Woodward as appointed as an audit committee member following the resignation of Mr. Paul Bugeja thereform.

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

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

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

The Audit Committee met 8 times during the year under review.

Remuneration Statement

Pursuant to the Company's Articles of Association, the maximum aggregate emoluments that may be paid to directors are approved by the shareholder in a general meeting. Remuneration of directors totalled €24,000 during the year under review.

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

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

Relations with bondholders and the market

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

Conflict of interests

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

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

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

Corporate Social Responsibility

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

Signed on behalf of the Board of Directors on 13 April 2022 by:

Mr. Alex Tanti
Director and Chairman of the
Audit Committee

Mr. Christopher Vella
Director

Dr. Ruben Debono
Director

Crowe

Horwath Malta
Member Crowe Global

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FES Finance p.l.c. (the Company), set out on pages 14 to 32, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Recoverability of loans advanced to parent company

Loan receivable include funds advanced to parent company, who is also the guarantor of the bonds issued by the Company. This loan amounted to €4,818,012 as at 31 December 2021, and carries an agreed rate of interest of 5.35% per annum.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Report on Other Legal and Regulatory Requirements (continued)

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

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

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

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

Other matters on which we are required to report by exception

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

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

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

Auditor tenure

We were re-appointed as auditors of the company on 12 April 2021 and therefore represents an engagement of three years.

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Provvida
Karm Zerafa Street
Birkirkara BKR1713
Malta

13 April 2022

	Notes	2021 €	2020 €
Finance income	6	**262,016**	262,016
Finance costs	7	**(260,250)**	(260,250)
Net interest income		**1,766**	1,766
Administrative expenses		**(58,138)**	(59,124)
Other income	8	**60,000**	60,000
Profit before income tax	9	**3,628**	2,642
Income taxation	10	**(1,270)**	(925)
PROFIT FOR THE YEAR		**2,358**	1,717
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,358**	1,717
Earnings per share (cents)	19	**0.047c**	0.034c

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

	Notes	2021 €	2020 €
ASSETS			
Non-Current Assets			
Loan receivable	11	**4,818,012**	4,817,024
Current Assets			
Trade and other receivables	12	**494,047**	400,359
Cash and cash equivalents	17	**214**	6,590
		494,261	406,949
Total Assets		**5,312,273**	5,223,973
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up issued share capital	13	**50,000**	50,000
Retained earnings	14	**4,496**	2,138
		54,496	52,138
Non-Current Liabilities			
Borrowings	15	**4,926,115**	4,915,865
Current Liabilities			
Trade and other payables	16	**329,240**	254,818
Current tax liability		**2,422**	1,152
		331,662	255,970
Total Equity and Liabilities		**5,312,273**	5,223,973

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

The financial statements on pages 14 to 32 were approved by the Board of Directors on 13 April 2022 and were signed on its behalf by:

Mr. David Woodward
Director

Mr. Christopher Vella
Director

	Share Capital	Retained Earnings	Total
	€	€	€
Balance as at 1 January 2020	50,000	421	50,421
Total comprehensive income for the year			
Profit for the year	-	1,717	1,717
Total comprehensive income for the year	-	1,717	1,717
Balance at 31 December 2020	**50,000**	**2,138**	**52,138**
Balance as at 1 January 2021	50,000	2,138	52,138
Total comprehensive income for the year			
Profit for the year	-	2,358	2,358
Total comprehensive income for the year	-	2,358	2,358
Balance as at 31 December 2021	**50,000**	**4,496**	**54,496**

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

	Note	2021 €	2020 €
Operating Activities			
Profit for the year before taxation		**3,628**	2,642
Adjustment for:			
Amortisation of bond issue costs		**10,250**	10,250
Finance income		**(262,016)**	(262,016)
Finance costs		**250,000**	250,000
Other income		**(60,000)**	(60,000)
		(58,138)	(59,124)
Working capital changes:			
Movement in trade and other receivables		**(36,250)**	(19,867)
Movement in trade and other payables		**74,423**	53,995
Cash used in operations		**(19,965)**	(24,996)
Interest received		**250,000**	250,000
Interest paid		**(250,000)**	(250,000)
Net Cash used in Operating Activities		**(19,965)**	(24,996)
Financing Activities			
Advances from/(to) fellow subsidiary		**60**	(3,105)
Advances from/(to) related company		**2,500**	(4,000)
Net advances from/(to) parent company		**11,029**	(736,554)
Net Cash generated from / (used in) Financing Activities		**13,589**	(743,659)
Movement in Cash and Cash Equivalents		**(6,376)**	(768,655)
Cash and cash equivalents at beginning of year		**6,590**	775,245
Cash and Cash Equivalents at end of year	17	**214**	6,590

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

1. General Information

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

2. Basis of Preparation

Statement of compliance

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

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

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

Going concern

The Company's principal activity is to act as a finance company. The Company in itself does not have substantial assets and is a special purpose vehicle set up to raise finance for the business of the FES Group. The parent company, FES Projects Ltd was set up as the holding company of the Group, and is principally engaged in investing in, acquiring, holding and/or managing any land, building or other property for the purpose of deriving income therefrom. The parent owns the Euro Guest House boutique hotel, which is operated by FES Operations Limited following a lease agreement entered into between both parties. During the year under review the Euro Guest House was closed down due to the pandemic. Furthermore, this will allow the Group to prepare for the development works which will transform the property into a property for extended stay focused on the retirement market (revival living), once the permit is in hand and additional finance is raised.

In preparing these financial statements, the directors of the Company assessed the impact that the fellow subsidiary, FES Operations Limited, has had on the performance of the Company, the parent and the FES Group. Although there has been significant disruptions in the Euro Guest House operations, the directors note that Contractors Only Limited was set up during 2020 to introduce a new revenue stream in order to mitigate the effect of economic realities, by repurposing use of resources that the Group developed to provide turnkey projects to third parties, both public and private. These projects generate cash flows and profits which are more consistent and are not dependant on the strength of the tourism industry. Consequently, the going concern assessment of the FES Group was assessed through (i) the anticipated profitability following the development of Euro Guest House (ii) the tenders won to date by Contractors Only Limited (iii) the profits arising through these tenders won by Contractors Only Limited.

2. Basis of Preparation (continued)

Going concern (continued)

The board of directors continually monitors the operations of the FES Group, and is satisfied that through this diversification, the FES Group will generate sufficient profitability to meet its payment obligations to the Company, such that the Company continues to meet its obligation with its bondholders. Therefore, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

Use of estimates and judgements

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

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

3. New and Revised Standards

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

New and revised Standards, Interpretations and amendments

The Company adopted several new or revised Standards, Interpretations and amendments issued by the International Accounting Standards Board (IASB) and the IFRS Interpretation Committee and endorsed by the EU. The adoption of these new or revised standards, interpretations and amendments did not have a material impact on these financial statements. Accordingly, the Company has made no changes to its accounting policies.

	Title	*Effective Date*
(i)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
(ii)	Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16	1 April 2021
(iii)	Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

New standards which have been newly adopted during the year

At the end of the reporting period, certain new Standards, Interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of the early adoption of the Standards, Interpretations or amendments ahead of their effective date. The directors anticipate that the adoption of the new Standards, Interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

4. Significant Accounting Policies

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

Finance income and finance costs

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

Income taxation

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

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

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

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

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

Earnings per share

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

4. Significant Accounting Policies (continued)

Financial instruments

Recognition and measurement

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

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

Classification and subsequent measurement

i. Financial assets

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

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

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

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

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

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

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

i. Financial assets (continued)

Business model assessment

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

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

Assessment whether contractual cashflows are SPPI

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

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

Subsequent measurement

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

ii. Financial liabilities

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

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

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

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

Offsetting

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

Impairment

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

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

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

4. Significant Accounting Policies (continued)

Cash and cash equivalents

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

Share capital

Ordinary shares

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

Dividend distribution

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

5. Critical Accounting Estimates and Judgements

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

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

6. Finance Income

	2021	2020
	€	€
Interest receivable on long term loan due from parent company	**262,016**	262,016
	262,016	262,016

7. Finance Costs

	2021	2020
	€	€
Interest payable on bond	**250,000**	250,000
Amortisation of bond issue costs	**10,250**	10,250
	260,250	260,250

8. Other Income

	2021	2020
	€	€
Management fee	**60,000**	60,000

9. Profit before Income Tax

This is stated after charging the following:

	2021	2020
	€	€
Directors' remuneration	**24,000**	26,000
Amortisation of bond issue costs	**10,250**	10,250

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

	2021	2020
	€	€
Annual statutory audit fees	**2,700**	2,500
Other non-audit services	**300**	350

10. Income Taxation

	2021	2020
	€	€
Current tax expense	**1,270**	925
	1,270	925

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

	2021	2020
	€	€
Profit before taxation	**3,628**	2,642
Tax at the applicable statutory rate of 35%	**1,270**	925

11. Loan Receivable

	2021	2020
	€	€
Non- current		
Loan receivable from parent company	**4,818,012**	4,817,024

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

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

At 31 December 2021 and 31 December 2020, this financial asset was fully performing and as such does not contain impaired assets.

11. Loan Receivable (continued)

Maturity of loan receivable:

	2021	2020
	€	€
Over 5 years	**4,818,012**	4,817,024
	4,818,012	4,817,024

12. Trade and Other Receivables

	2021	2020
	€	€
Amounts due from fellow subsidiary	**166,545**	106,605
Amounts due from related company	**1,500**	4,000
Accrued income	**262,014**	262,016
Prepaid expenses	**44,948**	19,096
Indirect tax refundable	**19,040**	8,642
	494,047	400,359

Amounts due from fellow subsidiary and related company are unsecured, interest free and repayable on demand. As at 31 December 2021 and 31 December 2020, these amounts were fully performing and hence do not contain impaired assets.

13. Share Capital

	2021	2020
Authorised, Issued and Fully Paid Up	**€**	€
49,998 Ordinary 'A' shares of €1 each	**49,998**	49,998
2 Ordinary 'B' share of €1 each	**2**	2
	50,000	50,000

14. Retained Earnings

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

15. Borrowings

	2021	2020
	€	€
Non-current		
5,000,000 5% Secured Bonds 2029	**4,926,115**	4,915,865
Bonds outstanding (face value)	**5,000,000**	5,000,000
Gross amount of bond issue costs	**(102,500)**	(102,500)
Amortisation of gross amount of bond issue costs:		
Amortised bond issue costs brought forward	**18,365**	8,115
Amortisation charge for the period	**10,250**	10,250
Unamortised bond issue costs	**(73,885)**	(84,135)
Amortised cost and closing carrying amount	**4,926,115**	4,915,865

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

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

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

16. Trade and Other Payables

	2021	2020
	€	€
Trade payables	**84,201**	32,220
Accrued expenses	**245,039**	222,598
	329,240	254,818

17. Cash and Cash Equivalents

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

	2021	2020
	€	€
Cash at bank	**162**	15
Funds held on escrow by the Escrow Agent	**52**	6,575
	214	6,590

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

18. Related Party Transactions

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

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

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

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

18. Related Party Transactions (continued)

	2021	2020
	€	€
Income		
Finance income from parent company	**262,016**	262,016
Management fee charged to fellow subsidiary	**60,000**	60,000
Loans and Advances		
Net advances (from) / to parent company	**(11,029)**	736,554
Repayments by parent company	**(250,000)**	(250,000)
Advances (from) / to fellow subsidiary	**(60)**	3,105
Advances (from) / to related company owned by common shareholders	**(2,500)**	4,000

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

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

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

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

19. Earnings per Share

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

	2021	2020
	€	€
Net profit attributable to owners of the company	**2,358**	1,717
Weighted average number of ordinary shares in issue (Note 13)	**50,000**	50,000
Earnings per share (cents)	**0.047c**	0.034c

20. Financial Risk Management

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

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

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

Timing of Cash Flows

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

Credit Risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of loan receivable from parent company and cash at bank (Notes 11 and 17). The carrying amount of financial assets represents the maximum credit exposure.

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

Liquidity Risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 15 and 16). The Company is exposed to liquidity risk arising from its ability to satisfy liability commitments depending on cash inflow receivable in turn from FES Projects Ltd.

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

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

Capital Management

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

20. Financial Risk Management (continued)

Fair Values of Financial Instruments

At 31 December 2021 and 31 December 2020, the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Company for similar financial instruments.

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

21. Events Subsequent to the Statement of Financial Position Date

Towards the end of February 2022, the armed conflict between the Russian Federation and Ukraine set in motion a chain of diplomatic efforts and other major geopolitical events which led a number of western nations, including the EU institution and the United States government, to impose a number of sanctions on Russia and Belarus. These current sanctions in place include several restrictive measures of a direct financial nature that are having a significant direct impact on the broad economy of the invading nations, as well as resulting in a downgrading of their sovereign and private debt by international credit rating agencies.

The consequences of these restrictive measures are however also expected to have a significant impact on the economies of the countries implementing such trade restrictions, with a spill-over on the world economy, as uncertainty and market volatility remain high across all industries with increasing tensions and rhetoric on both sides. The cost of doing business is undoubtedly set to rise further, following the initial Covid shocks on the global economy seen in the last couple of years, as the ongoing conflict in Ukraine and Covid-related measures continue to rock global supply chains. Both the International Monetary Fund and the World Bank have indicated that the resulting impact of the conflict to global growth and recovery from Covid effects will be significant. As the price of oil and gas shift upwards due to the war, transport and other procurement costs required for business will also increase. Due to the nature and decisiveness of these restrictive measures, the economic impact globally is expected to be long-lasting, even in the eventuality that the conflict ceases in the immediate future. The dynamics of international trade between the EU, the USA and Asia will change forever.

The repercussions of such conflicts may result in negative effects on the Contractors Only Ltd turnkey business trading operation and the development of the Gzira property owned by the parent. This would in turn affect FES Group. As at the date of this report, the Group is not negatively impacted by the ongoing conflict in Ukraine. The turnkey business operation and the Gzira property development are nevertheless expected to be negatively impacted in the short to medium term as costs are expected to rise generally throughout the economies and the industries in which the parent and the fellow subsidiary operates.

In view of this, management together with the directors, continue to actively monitor all developments taking place internationally to take any action that might be necessary in the eventuality that developments in the conflict start to impact the FES Group's performance and trading operations.

SCHEDULE

1. Administrative Expenses

FES FINANCE P.L.C.
Administration Expenses
For the year ended 31 December 2021

Schedule 1

	2021	2020
	€	€
Audit fee	**2,700**	2,500
Directors' remuneration	**24,000**	26,000
Professional fees	**30,852**	30,534
Other expenses	**586**	90
	58,138	59,124