

**SUN FINANCE TREASURY LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

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# **SUN FINANCE TREASURY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

### **Board of Directors:**

Dr. Frank Chetcuti Dimech  
Mr. Janis Kundzins

The directors present herewith their annual report together with the audited financial statements of Sun Finance Treasury Limited (the "Company") for the year ended 31 December 2022.

### **Principal Activities**

The principal activity of the Company, which has remained unchanged from the previous accounting year, is that of providing short-term financing, mainly to related companies.

### **Review of Business**

During the year under review, the level of revenue increased as a result of an increase in loans granted. The Company also incurred higher coupon note costs in view of the additional notes issued, thus resulting in a negative interest margin. After accounting for operational and administrative overheads, including also the provision for expected credit losses on loans receivable, the Company again incurred an operating loss. After accounting for net interest income, the Company registered a loss for the year. The Company's financial position continues to be in deficiency and fully dependent on the financial support of its parent and related companies. The parent company has indicated that it is able and willing to continue financing the operations of the Company for at least a further year from the date of issue of these financial statements.

### **Principal Risks and Uncertainties**

As part of the Sun Finance Group, the Company applies Group principles for overall risk management, and Group policies covering specific areas such as credit risk, liquidity risk, market risks, operational risks and reputational risks.

The principal risks and uncertainties of the Company relate to its principal business and assets, that is, loans to related parties and funding received from external parties. Recoverability of these related party loans is dependent on the performance of the underlying companies. The Company is not exposed to interest rate risk as the loans and the notes issued are at fixed rates. In addition, key uncertainty issues of the business are related to developments in the global economic environment, including recovery strategies emanating from the COVID-19 outbreak across different geographies, which can have a cascading effect on the wider debt capital markets, and the scope of the impact remains unclear.

The directors are cognisant of the potential risks and uncertainties brought about by the war between Ukraine and Russia. However, since the group does not have any business operations in these countries, the directors does not envisage any threats to the Group's operations in the foreseeable future.

### **Future Developments**

During the 2023 financial year, the Company is planning to attract substantial external financing and continue issuing new bond notes. In view of this, the Company is continuously monitoring debt capital markets, as well as holding discussions with potential investors and advisory companies in order to assess the market environment and scope for additional notes issuance.

The Company is expected to continue its principal activity for the foreseeable future, managing funding across related companies and attracting external funding. These activities are expected to further improve the financial position of the Company in the long run, delivering profitability.

## **SUN FINANCE TREASURY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Russia – Ukraine War**

On 24 February 2022, Russia invaded Ukraine. The invasion received widespread international condemnation, including new sanctions imposed on Russia, which triggered widespread economic effects on the Russian and World economies. The sanctions imposed and supply limitations resulted in high inflation across the European Union and brought a number of uncertainties towards the largest economies. The repercussions of such conflicts may result in negative effects on the Company's business activity.

The Company does not have any business or reliance on Russia or Ukraine and as at the date of this report, the Company is not negatively impacted by the ongoing war in Ukraine. The directors continue to actively monitor all developments taking place internationally and to take any action that might be necessary in the eventuality that developments in the war start to impact the Company's performance and operations.

#### **Going Concern**

The directors, after due consideration of the Company's results and deficient financial position, take cognisance of the fact that the deficiency position of the Company is fully covered by the third party subordinated loan payable for € 14,353,929 and which does not have a fixed date of repayment but has to be repaid by not later than 30 September 2024. This subordinated loan is unsecured and is subject to be repaid after all senior liabilities have been paid, and the lender cannot take any encumbrance to secure the repayment of the subordinated liabilities and cannot commence any proceedings against the Company or take any action for or in respect of the recovery of any of the subordinated liabilities or part thereof. Furthermore, the parent company has indicated that it is able and willing to continue financing the operations of the Company for at least a further year from the date of issue of these financial statements. Accordingly, the directors believe that the going concern basis applied in the preparation of these financial statements is appropriate.

#### **Results, Dividends and Reserves**

The results for the year and the movement on the reserves are as set out on pages 7 and 9 of the financial statements respectively. Being that the Company has accumulated losses, no dividends were recommended or paid during the year.


#### **Directors**

The members serving on the Board of Directors and movements thereon are listed on page 1. In accordance with the Company's Articles of Association, the directors at date of this report are to remain in office.

#### **Auditors**

Baker Tilly Malta have intimated their willingness to continue in office. A proposal to reappoint Baker Tilly Malta as auditors of the Company will be put to the General Meeting.

Approved by the Board of Directors on 5 May 2023 and signed on its behalf by:



Dr. Frank Chetcuti Dimech  
Director



Mr. Janis Kundzins  
Director

## **SUN FINANCE TREASURY LIMITED**

### **DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

The Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determines 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.

Approved by the Board of Directors on 5 May 2023 and signed on its behalf by:



**Dr. Frank Chetcuti Dimech**  
**Director**



**Mr. Janis Kundzins**  
**Director**



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN FINANCE TREASURY LIMITED**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### *Opinion*

We have audited the separate financial statements set out on pages 7 to 29 of Sun Finance Treasury Limited (the "Company") which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995 (Chapter 386, Laws of 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 *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.

#### *Other Information*

The directors are responsible for the other information. The other information comprises 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 Companies Act (Cap. 386).

Based on the work performed, in our opinion:

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

In addition, 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 and other information. We have nothing to report in this regard.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN FINANCE TREASURY LIMITED**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### *Responsibilities of Management and Those Charged with Governance for the Company's Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends 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.

#### *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 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 management.
- Conclude on the appropriateness of management's 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, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SUN FINANCE TREASURY LIMITED  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Other Legal and Regulatory Requirements*

We also have responsibilities under the Companies Act, 1995 (Chapter 386, Laws of Malta), to report to you if, in our opinion:

- Adequate accounting records have not been kept;
- The financial statements are not in agreement with the accounting records;
- We have not received all the information and explanations we required for our audit;

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



This copy of the audit report has been signed by  
Donald Sant for and on behalf of

**Baker Tilly Malta**

*Registered Auditors*

Level 5

Rosa Marina Building

216 Marina Seafront

Pieta' PTA 9041

Malta

5 May 2023



# SUN FINANCE TREASURY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		<u>2022</u>	<u>2021</u>
	Note	Euro	Euro
<b>Finance Income</b>	4	<b>11,817,997</b>	9,066,353
Finance Costs	5	(12,139,667)	(9,479,979)
<b>Net Interest Margin</b>		<b>(321,670)</b>	(413,626)
Operational Overheads		(2,032,778)	(1,785,010)
Administrative Overheads		(176,694)	(249,826)
Other Operating Income	6	403	43,860
<b>Operating Loss</b>	7	<b>(2,530,739)</b>	(2,404,602)
Finance Income	8	207,659	41,726
Finance Costs	8	(273)	(2,787)
<b>Net Finance Income</b>	8	<b>207,386</b>	38,939
<b>Loss before Taxation</b>		<b>(2,323,353)</b>	(2,365,663)
Tax Expense	9	(13,249)	(51,380)
<b>Loss for the Year</b>		<b>(2,336,602)</b>	(2,417,043)
<b>Total Comprehensive Loss for the Year</b>		<b>(2,336,602)</b>	(2,417,043)

The notes on pages 11 to 29 form an integral part of these financial statements.


# SUN FINANCE TREASURY LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

		<u>2022</u>	<u>2021</u>
	Note	Euro	Euro
<b>ASSETS</b>			
Investment in Subsidiaries	10	47,093	47,093
<b>Total Non-Current Assets</b>		<u>47,093</u>	<u>47,093</u>
Loans Receivable	11	90,950,332	66,648,679
Other Receivables	12	3,814,127	42,343
Cash and Cash Equivalents	13	1,302,751	465,654
<b>Total Current Assets</b>		<u>96,067,210</u>	<u>67,156,676</u>
<b>Total Assets</b>		<u><u>96,114,303</u></u>	<u><u>67,203,769</u></u>
<b>EQUITY</b>			
Share Capital	14	51,166	51,166
Accumulated Losses		(6,876,459)	(4,539,857)
<b>Total Equity Deficiency</b>		<u>(6,825,293)</u>	<u>(4,488,691)</u>
<b>LIABILITIES</b>			
Borrowings	15	50,008,687	25,284,366
Loans Payable	16	14,353,929	18,388,919
<b>Total Non-Current Liabilities</b>		<u>64,362,616</u>	<u>43,673,285</u>
Borrowings	15	16,121,684	14,658,732
Loans Payable	16	22,430,501	13,258,412
Other Payables	17	24,795	102,031
<b>Total Current Liabilities</b>		<u>38,576,980</u>	<u>28,019,175</u>
<b>Total Liabilities</b>		<u>102,939,596</u>	<u>71,692,460</u>
<b>Total Equity and Liabilities</b>		<u><u>96,114,303</u></u>	<u><u>67,203,769</u></u>

The notes on pages 11 to 29 form an integral part of these financial statements.

The financial statements on pages 7 to 29 were approved and authorised for issue by the Board of Directors on 5 May 2023 and signed on its behalf by:

  
Dr. Frank Chetcuti Dimech  
Director

  
Mr. Janis Kundzins  
Director

## SUN FINANCE TREASURY LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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	<u>Total</u>	<u>Share Capital</u>	<u>Accumulated Losses</u>
	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>
Balance 1 January 2022	(4,488,691)	51,166	(4,539,857)
Comprehensive Loss for the Year Loss for the Year	(2,336,602)	-	(2,336,602)
Balance at 31 December 2022	<u>(6,825,293)</u>	<u>51,166</u>	<u>(6,876,459)</u>
Balance 1 January 2021	(2,071,648)	51,166	(2,122,814)
Comprehensive Loss for the Year Loss for the Year	(2,417,043)	-	(2,417,043)
Balance at 31 December 2021	<u>(4,488,691)</u>	<u>51,166</u>	<u>(4,539,857)</u>

The notes on pages 11 to 29 form an integral part of these financial statements.



# SUN FINANCE TREASURY LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		<u>2022</u>	<u>2021</u>
	Note	Euro	Euro
<b>Cash Flows from Operating Activities</b>			
Loss for the Year		(2,336,602)	(2,417,043)
<i>Adjustments for:</i>			
Gain on Disposal of Investment in Subsidiary		-	(26,993)
Expected Credit Losses		164,643	1,229,978
Bad Debts Write Off		1,122,799	10,232
Amortization of Bond Expenses		745,336	544,800
Unrealized Differences on Exchange		(207,659)	(41,726)
Income Tax Expense		13,249	51,380
		(498,234)	(649,372)
<b>Changes in</b>			
Other Receivables		33,327	(6,791)
Other Payables		(77,236)	73,894
<b>Cash Lost from Operations</b>		(542,143)	(582,269)
Final Withholding Taxes Paid		(13,249)	(51,380)
<b>Net Cash used in Operating Activities</b>		(555,392)	(633,649)
<b>Cash Flows from Investing Activities</b>			
Acquisition of Financial Assets at FVTPL		(4,025,000)	(31,174,000)
Sale Proceeds on Disposal of Financial Assets at FVTPL		13,347,000	7,809,000
Sale Proceeds on Disposal of Investment in Subsidiary		-	451,993
Movement on Loans Receivable		(25,589,095)	(26,483,659)
<b>Net Cash used in Investing Activities</b>		(16,267,095)	(49,396,666)
<b>Cash Flows from Financing Activities</b>			
Net Advances from Bonds Issued		17,539,000	50,961,000
Bond Issue Costs		(1,419,063)	(1,152,116)
Movement on Third Parties Loans		(3,829,779)	(4,314,413)
Movement on Related Companies Loans		5,161,767	2,970,434
Movement on Related Parties' Accounts		-	(9,858)
<b>Net Cash from Financing Activities</b>		17,451,925	48,455,047
<b>Net Movement in Cash and Cash Equivalents</b>		629,438	(1,575,268)
Adjustment for Unrealised Exchange Fluctuations		207,659	41,726
Cash and Cash Equivalents at Beginning of Year		465,654	1,999,196
<b>Cash and Cash Equivalents at End of Year</b>	13	<u>1,302,751</u>	<u>465,654</u>

The notes on pages 11 to 29 form an integral part of these financial statements.

# SUN FINANCE TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1. Reporting Entity

Sun Finance Treasury Limited (the “Company”) is a limited liability company domiciled and incorporated in Malta. The Company’s registered office is at Suite 23, Level 4, Vincenti Buildings, 25 Strait Street, Valletta VLT 1432, Malta.

### 2. Basis of Preparation

#### 2.1 Statement of Compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“the applicable framework”), which standards were issued by the International Accounting Standards Board (IASB). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. They have been drawn up in accordance with the provisions of the Companies Act, 1995 enacted in Malta, (The Act) save insofar as such provisions remove the requirement under IAS 27 Consolidated and Separate Financial Statements, of preparing and presenting consolidated Financial Statements of the group, of which the Company is parent.

The Company qualifies to prepare consolidated financial statements in terms of Article 173 of the Act. However, consolidated financial statements will be prepared at the level of the Ultimate Parent Company, namely AS Sun Finance Group, a company incorporated in Latvia.

These financial statements therefore represent the separate financial statements of the Company.

The Act specifies that in the event that any of one of its provisions is in conflict or not comparable with IFRSs or its application is incompatible with the obligation for financial statements to give a true and fair view, that provision shall be departed from in order to give a true and fair view.

#### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss.

#### 2.3 Functional and Presentation Currency

These financial statements are presented in Euro (€), which is the Company’s functional currency.

#### 2.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 2. Basis of Preparation (*Contd.*)

##### 2.5 Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company measures financial instruments at fair value through profit or loss.

##### 2.6 New Standards and Interpretations Not Yet Adopted

A number of amended standards became applicable for the current period and have been applied as necessary. The impact of the adoption of these revisions on the Company's accounting policies and on the financial results are insignificant.

Certain new standards, amendments and interpretations to existing standards have been published by the date of the authorisation for issue of these audited financial statements but are not mandatory for the Company's accounting period starting 1 January 2022. The Company may early adopt these revisions to the requirements of IFRSs as adopted by the EU. The Company's directors are of the opinion that there are no requirements that will have a significant impact on the financial statements in the period of initial application.

#### 3. Significant Accounting Policies

The accounting policies set out below have been applied throughout the period presented in these financial statements.

##### 3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

##### 3.2 Dividend income

Dividend income represents dividends receivable from investments in subsidiaries in the ordinary course of business. Dividend income is recognised in the income statement when the right to receive payment is established.



## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.3 Finance Income

###### *Coupon Income*

Coupon income represents income received from financial assets that are measured at fair value through profit or loss. Coupon income is recognised in the income statement on an accruals basis.

###### *Loan Interest Income*

Loan interest income comprises interest receivable from short-term lines of credit in the ordinary course of business. Interest receivable is recognised in the income statement on an accruals basis.

##### 3.4 Finance Costs

Finance costs represent loan interest payable and interest payable on the bonds in issue as set out in the notes to these financial statements. Finance costs are recognised as an expense in the income statement in the period in which they are incurred.

##### 3.5 Bond Costs

Bond costs represent fees and other costs incurred in connection with the issuance of the bonds by the Company to investors. The cost of issuing bonds is recorded in a contra liability account and off-set from the nominal value of the bond in order to systematically move the bond issue costs from the balance sheet to the income statement over the term of the bond. As a result, the Company matches the cost of the bond to accounting periods that are benefitting from the bond being issued. The cost of the bond is amortised over the duration of the bond, being 24 months.

##### 3.6 Financial Assets at Fair Value through Profit or Loss

The Company classifies financial assets through the profit or loss consists of equity investments that are held for trading, debt securities that do not qualify for measurement at either amortised costs or securities which qualify to be measured at fair value through other comprehensive income and equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income.

On disposal of any of the above investments, any gains or losses have to be recognized in the profit and loss.

##### 3.7 Investments in Subsidiaries

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is initially measured at cost. After initial recognition, an investment in subsidiaries may be carried either under the cost method, that is at cost less any impairment losses or under the equity method. The Company is measuring investments in subsidiaries after initial recognition at cost.

Loans advanced by the Company to its subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment in those subsidiaries and included as part of the carrying amount of investments in subsidiaries.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.8 Loans Receivable

Debt instruments representing financial assets where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and where these give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding are measured at amortised cost using the effective interest method, less any expected credit loss allowance. In view the nature of receivable balances arising from credit lines, the carrying amount of receivables is considered to be the same as their fair values due to their short-term nature.

On derecognition, impairment or disposal of debt instruments, any gains or losses are recognised within profit or loss.

##### 3.9 Receivables

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. They are subsequently measured at amortised cost using the effective interest method, less expected credit losses.

Trade receivables are written off or provided for where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure by the debtor to abide by the credit terms or failure to engage in a repayment program with the Company for the settlement of amounts due.

Impairment losses on trade receivables are presented as net expected credit losses within operating profit. Subsequent recoveries of amounts previously written off or provided for are credited against the same line item.

##### 3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits at call with financial institutions, other short-term liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

##### 3.11 Impairment of Financial Assets

The Company recognized loss allowances for Expected Credit Losses (ECLs) on financial assets at amortised cost, namely loans and other receivables, short-term investments and cash at bank.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit plant,(i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for loans receivables without a significant financing component and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.11 Impairment of Financial Assets (*Contd.*)

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset. In the case of interest-free short-term financial assets, such as trade receivables, ECLs are not discounted.

##### ***Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### ***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of comprehensive income.

##### ***Write-off***

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off on its financial assets based on whether there is a reasonable expectation of recovery and with reference to its historical experience of recoveries.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.



## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Significant Accounting Policies (*Contd.*)

##### 3.12 Borrowings

Borrowings comprise funds acquired in order to assist with the financing of the Company's operations. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least one year after the reporting date. If not, they are presented as non-current liabilities. Any interest payable is recognised as an expense as this accrues in profit or loss, using the effective interest method.

##### 3.13 Other Payables

Other payables comprise obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities, if payment is due within one year or less.

##### 3.14 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

##### 3.15 Share Capital

Ordinary shares are classified as equity.

##### 3.16 Employee Benefits

###### *Pension Contributions*

The Company contributes towards the state pension in accordance with local legislation. The only obligation of the Company is to make the required contributions. Costs are expensed in the period in which they are incurred.

##### 3.17 Finance Income and Finance Costs

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

##### 3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

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 not recognised for:

- (a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- (b) temporary differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 3. Significant Accounting Policies (Contd.)

##### 3.18 Tax (Contd.)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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 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 recognized simultaneously.

#### 4. Finance Income

	<u>2022</u>	<u>2021</u>
	<b>Euro</b>	<b>Euro</b>
Loan Interest Income	9,278,668	6,723,984
Coupon Notes Income	2,539,329	2,342,369
	<u>11,817,997</u>	<u>9,066,353</u>

#### 5. Finance Costs

	<u>2022</u>	<u>2021</u>
	<b>Euro</b>	<b>Euro</b>
Loan Interest Expense	4,196,263	4,344,728
Coupon Notes Costs	7,943,404	5,135,251
	<u>12,139,667</u>	<u>9,479,979</u>

#### 6. Other Operating Income

Other operating income represents income which is not considered to be part of the main revenue generating activities. Accordingly, the Company presents this income separately from revenue.

	<u>2022</u>	<u>2021</u>
	<b>Euro</b>	<b>Euro</b>
Gain on Liquidation of Investment in Subsidiary	-	26,993
Over-Provision of Expenses in Prior Years	-	16,867
Other Income	403	-
	<u>403</u>	<u>43,860</u>

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 7. Operating Loss

The results from operating activities are stated after charging the following:

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Amortisation of Bond Costs	745,336	544,800
Auditors' Remuneration	14,160	14,750
Bad Debts Write Off	1,122,799	10,232
Director's Remuneration	46,512	8,499
Expected Credit Losses	<u>164,643</u>	<u>1,229,978</u>

#### 7.1 Employee Information

The average weekly number of persons employed by the Company during the year, except for the working director, was nil (2021 - 1). Staff costs for the year comprised:

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Salaries	-	35,564
Social Costs	-	2,627
	<u>-</u>	<u>38,191</u>

#### 8. Finance Income and Finance Costs

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Unrealised Foreign Exchange Gains	207,659	41,726
<b>Finance Income</b>	<u>207,659</u>	<u>41,726</u>
Realized Foreign Exchange Loss	(273)	(2,787)
<b>Finance Costs</b>	<u>(273)</u>	<u>(2,787)</u>
<b>Net Finance Income</b>	<u>207,386</u>	<u>38,939</u>

#### 9. Tax Expense

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Current Taxation – Foreign Withholding Taxes	13,249	51,380
<b>Total Tax Charge</b>	<u>13,249</u>	<u>51,380</u>



# SUN FINANCE TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 9. Tax Expense (Contd.)

#### 9.1 Reconciliation of Effective Tax Rate

The tax expense and the result of the accounting profit/(loss) multiplied by the applicable tax rate in Malta, the Company's country of incorporation, are reconciled as follows:

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Loss before Taxation</b>	<u>(2,323,353)</u>	<u>(2,365,663)</u>
Tax Using the Company's Domestic Tax Rate of 35%	(813,174)	(827,982)
Tax Effect of Non-Allowable Expenses	57,625	430,583
Tax Effect of Non-Chargeable Income	(72,681)	(27,502)
Tax Effect of Tax Losses Carried Forward	828,230	424,901
Foreign Tax Paid	13,249	51,380
<b>Tax Expense for the Year</b>	<u>13,249</u>	<u>51,380</u>

#### 9.2 Deferred Tax

The Company has unrelieved tax losses available giving rise to a deferred tax asset, but which asset has not been recognized in these financial statements, because the probability that future taxable profits will be available for set-off against the deferred tax asset is not assured.

### 10. Investment in Subsidiaries

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Equity Investments:</b>		
Investment in Subsidiary Companies at Cost	47,093	47,093
<b>Total Investment in Subsidiaries</b>	<u>47,093</u>	<u>47,093</u>

- 10.1 The Company's principal subsidiaries as at 31 December 2022 are set out below. The share capital consists solely of ordinary shares that are held directly by the Company and the proportion of ownership interests held equals the voting rights held by the Company.

<u>Subsidiaries</u>	<u>Incorp. In</u>	<u>% Holding</u>	<u>% Holding</u>	<u>Nature of Business</u>
		<u>2022</u>	<u>2021</u>	
Primastar Sp. Z.O.O.	Poland	<u>100%</u>	<u>100%</u>	Short-Term Lending

- 10.2 As at 31 December 2022, the unaudited financial statements of the subsidiary showed a deficient equity position of € 1,371,098 which improved from 2021, where the deficiency was of € 2,567,067. The directors envisage that the Company will return to a positive equity position during the coming years. The directors are of the opinion that no expected credit loss allowance is required on such investment given also the fact the loan given is also being repaid continuously.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 11. Loans Receivable

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Current:</b>		
Loans and Interest Receivable from Third Parties	1,084	-
Loans and Interest Receivable from Related Companies	79,023,101	51,683,396
Loans and Interest Receivable from Subsidiary Company	7,182,063	6,559,703
Loans and Interest Receivable from Joint Parent Companies	428,043	6,839,934
Loans and Interest Receivable from Ultimate Parent Company	6,218,092	3,303,054
	<u>92,852,383</u>	<u>68,386,087</u>
Expected Credit Loss Provisions on Related Companies Loans	<u>(1,902,051)</u>	<u>(1,737,408)</u>
<b>Net Loans Receivable</b>	<u><b>90,950,332</b></u>	<u><b>66,648,679</b></u>

11.1 Loans receivable have a maturity date that varies from 2023 to 2027.

11.2 The loans receivable bear interest at rates ranging from 8.5% p.a. to 14.5% p.a. with the majority of the loans bearing an interest rate of 14.3% p.a. – 14.5% p.a.

11.3 The balances due on the said loans are unsecured and repayable on the earlier of the above-mentioned maturity dates or any accelerated date. The parties are to pay interest at the stated rates per annum on the principal amount due, both before and after maturity, default and judgement. Interest is payable monthly in arrears.

11.4 Loans receivable are stated net of expected credit loss allowances amounting to € 1,902,051 (2021 – € 1,737,408). The expected loss rates are based on the historical payment profiles of the Company's customers. History shows that the Company rarely suffered credit losses. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

11.5 The Company's exposure to credit risk related to loans receivable is disclosed in Note 19.3. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loans receivable. To measure the expected credit losses, loans receivable are grouped based on shared credit risk characteristics.

#### 12. Other Receivables

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Accrued Coupon Receivable	-	37,193
Other Receivables	493	92
Prepaid Expenses	8,523	1,543
Amounts Due from Related Company	3,805,111	3,515
	<u>3,814,127</u>	<u>42,343</u>

12.1 The balance due from the related company was unsecured, interest free and repayable on demand.

12.2 No expected credit loss allowance is considered necessary by the directors on the other balances.

# SUN FINANCE TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 13. Cash and Cash Equivalents

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Bank Balances	1,302,751	465,654
<b>Cash and Cash Equivalents</b>	<u>1,302,751</u>	<u>465,654</u>

- 13.1 The Company's exposure to credit risk related to cash and cash equivalents is disclosed in Note 19.3. The directors do not consider to have any credit risk exposure with respect to bank balances, as these are all held with highly-rated banking institutions.

### 14. Share Capital

	<u>2022</u>	<u>2022</u>
	Euro	Euro
<b>Authorised</b>		
51,166 Ordinary Shares of € 1 each	<u>51,166</u>	<u>51,165</u>
<b>Issued and Fully Paid Up</b>		
51,166 Ordinary Shares of € 1 each	<u>51,166</u>	<u>51,165</u>

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 15. Borrowings

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Non-Current:</b>		
12% Notes 2023	-	30,000,000
11% Notes 2024	20,000,000	20,000,000
11% Notes 2025	32,539,000	-
	<u>52,539,000</u>	<u>50,000,000</u>
<b>Less:</b>		
12% Notes 2023 Subscribed by Company (Note 15.6)	-	(23,540,000)
11% Notes 2024 Subscribed by Company (Note 15.6)	(965,000)	(607,000)
	<u>51,574,000</u>	<u>25,853,000</u>
Deferred Bond Costs Net of Amortization to Profit and Loss	(1,565,313)	(568,634)
<b>Total Non-Current Borrowings</b>	<u>50,008,687</u>	<u>25,284,366</u>

# SUN FINANCE TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 15. Borrowings (Contd.)

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Total Non-Current Borrowings</b>	<u>50,008,687</u>	<u>25,284,366</u>
<b>Current:</b>		
11% Notes 2022	-	15,000,000
12% Notes 2023	<u>30,000,000</u>	<u>-</u>
	30,000,000	15,000,000
<b>Less:</b>		
12% Notes 2023 Subscribed by Company (Note 15.6)	<u>(13,860,000)</u>	<u>-</u>
	16,140,000	15,000,000
Deferred Bond Costs Net of Amortization to Profit and Loss	<u>(18,316)</u>	<u>(341,268)</u>
<b>Total Current Borrowings</b>	<u>16,121,684</u>	<u>14,658,732</u>
<b>Total Net Borrowings</b>	<u>66,130,371</u>	<u>39,943,098</u>

15.1 During 2020, the Company issued another private placement in Latvia of Unsecured Notes with a nominal value of € 15,000,000 which mature in September 2022.

15.2 During 2021, the Company again issued another private placement in Latvia of Subordinated Notes with a nominal value of € 30,000,000 which mature in February 2023.

15.3 During 2021, the Company also issued another private placement in Latvia of Senior Unsecured Notes with a nominal value of € 20,000,000 which mature in June 2024.

15.4 During the year under review, the Company also issued another private placement in Latvia of Senior Unsecured Notes with a nominal value of € 32,539,000 which mature in September 2025.

15.5 All Notes in issue, except for the Subordinated Notes, are guaranteed directly and indirectly by subsidiaries of AS Sun Finance Group, the ultimate parent company. The related issue costs are being amortized over the lifetime of the Notes.

15.6 Notes subscribed to by the Company are being offset against Notes issued by the Company. Movements on Note Assets for the year under review are outlined below:

Financial Assets at Fair Value through Profit or Loss:

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Notes Held for Trading:</b>		
Balance at Beginning of Year	24,147,000	782,000
Additions	4,025,000	31,174,000
Disposals	<u>(13,347,000)</u>	<u>(7,809,000)</u>
<b>Balance at End of Year</b>	<u>14,825,000</u>	<u>24,147,000</u>

The Company subscribes to its own Notes in order to trade these in a secondary market. Since the Notes are being traded privately, the nominal value is considered to be the fair value of such Notes.

# SUN FINANCE TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 16. Loans Payable

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Non-Current:</b>		
Loan and Interest Payable to Third Party	<u>14,353,929</u>	<u>18,388,919</u>
<b>Current:</b>		
Loans and Interest Payable to Third Parties	4,131,174	3,925,963
Loans and Interest Payable to Related Companies	<u>18,299,327</u>	<u>9,332,449</u>
	<u>22,430,501</u>	<u>13,258,412</u>
<b>Total Loans Payable</b>	<u><b>36,784,430</b></u>	<u><b>31,647,331</b></u>

**16.1** The non-current loan and interest thereon amounting to € 14,353,929 (2021 - € 18,388,919) payable to a third party represents a subordinated loan. This subordinated loan is unsecured and is subject to be repaid after all senior liabilities have been paid. Furthermore, the lender cannot take any encumbrance to secure the repayment of the subordinated liabilities and cannot commence any proceedings against the Company or take any action for or in respect of the recovery of any of the subordinated liabilities or part thereof.

**16.2** The maturity dates on the various loans fall due between 2023 and 2026 and bear interest at rates ranging from 12% p.a. to 17.72% p.a.

**16.3** The balances due on the said loans are unsecured and repayable on the earlier of the above-mentioned maturity dates or any accelerated date. The Company is to pay interest at the stated rates per annum on the principal amount due, both before and after maturity, default and judgement. Interest is payable monthly in arrears.

### 17. Other Payables

	<u>2022</u>	<u>2021</u>
	Euro	Euro
Trade Payables	4,738	73,104
Accrued Expenses	16,875	19,490
Other Social Taxes	<u>3,182</u>	<u>9,437</u>
	<u><b>24,795</b></u>	<u><b>102,031</b></u>

### 18. Fair Value Hierarchy

The following table shows financial instruments, including those recognised at fair value, for the year ended 31 December 2022, analyzed between those whose fair value is based on:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based upon observable market data.



## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 18. Fair Value Hierarchy (Contd.)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>
<b>31 December 2022</b>				
<b>Financial Assets</b>				
Investment in Subsidiaries	47,093	-	-	47,093
Loans Receivable	90,950,332	-	-	90,950,332
Other Receivables	3,814,127	-	-	3,814,127
Cash and Cash Equivalents	1,302,751	-	-	1,302,751
	<u>96,114,303</u>	<u>-</u>	<u>-</u>	<u>96,114,303</u>
<b>Financial Liabilities</b>				
Borrowings	66,130,371	-	-	66,130,371
Loans Payable	36,784,430	-	-	36,784,430
Other Payables	24,795	-	-	24,795
	<u>102,939,596</u>	<u>-</u>	<u>-</u>	<u>102,939,596</u>
<b>31 December 2021</b>				
<b>Financial Assets</b>				
Investment in Subsidiaries	47,093	-	-	47,093
Loans Receivable	66,648,679	-	-	66,648,679
Other Receivables	42,343	-	-	42,343
Cash and Cash Equivalents	465,653	-	-	465,653
	<u>67,203,768</u>	<u>-</u>	<u>-</u>	<u>67,203,768</u>
<b>Financial Liabilities</b>				
Borrowings	39,943,098	-	-	39,943,098
Loans Payable	31,647,331	-	-	31,647,331
Other Payables	102,031	-	-	102,031
	<u>71,692,460</u>	<u>-</u>	<u>-</u>	<u>71,692,460</u>

During the reporting year ended 31 December 2022, there was no transfer between Level 1 and Level 2 fair value measurement.

#### 19. Financial Risk Management

##### 19.1 Overview

The Company activities potentially expose it to a variety of financial risks, including fair value or cash flow interest rate risk, credit risk, liquidity risks and market risks:

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

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 19. Financial Risk Management (*Contd.*)

##### 19.2 Risk Management Framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management objectives and policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details of these policies are set out below:

##### 19.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans receivable from third parties and other related companies. The Company has implemented credit reviews for new and existing customers before entering into contracts and the Company monitors intra-group credit exposures on a regular basis and ensures timely performances of these assets in the context of the overall group liquidity management. The Company takes cognisance of the related party relationship, and the directors do not expect any losses from non-performance.

Furthermore, credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to place cash with financial institutions of a high credit rating.

##### *Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	<u>2022</u>	<u>2021</u>
	<b>Euro</b>	<b>Euro</b>
Loans Receivable	<b>90,950,332</b>	66,648,679
Other Receivables	<b>3,814,127</b>	42,343
Cash and Cash Equivalents	<b>1,302,751</b>	465,653
	<u><b>96,067,210</b></u>	<u>67,156,675</u>

##### 19.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 19. Financial Risk Management (Contd.)

##### 19.4 Liquidity Risk (Contd.)

###### *Exposure to Liquidity Risk*

The following are the contractual maturities of financial liabilities:

	<u>Within 12 Months</u>	<u>Between 1-2 Years</u>	<u>Between 2-5 Years</u>	<u>Over 5 Years</u>
	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>	<u>Euro</u>
<b>31 December 2022</b>				
Borrowings	16,121,684	19,646,703	30,361,984	-
Loans Payable	22,430,501	-	14,353,929	-
Other Payables	24,795	-	-	-
	<u>38,576,980</u>	<u>19,646,703</u>	<u>44,715,913</u>	<u>-</u>
<b>31 December 2021</b>				
Borrowings	14,658,732	25,284,366	-	-
Loans Payable	13,258,412	-	18,388,919	-
Other Payables	102,031	-	-	-
	<u>28,019,175</u>	<u>25,284,366</u>	<u>18,388,919</u>	<u>-</u>

##### 19.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange currency financial instruments and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The overall effect of fluctuations in exchange rate at the reporting date on financial instruments such as receivables and payables are not considered by management to be material on the results of the Company.

The Company holds Private notes for which the fair value is equivalent to the market value. The directors believe that the exposure to market risk from this activity is acceptable in the Company's circumstances. The effect of a 10% increase in the value of financial assets at fair value through profit and loss, all other variables held constant, have a result in an increase in the fair value reserve and net assets of € 1,482,500 (2021 - € 2,414,700). A 10% decrease in value would have an effect of a decrease in the fair value reserve and net assets by the same amount.

##### 19.5.1 Fair Value or Cash Flow Interest Rate Risk

The Company is not exposed to cash flow interest rate risk from borrowings, as all borrowings are subject to fixed interest rates.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 19. Financial Risk Management (Contd.)

##### 19.5 Market Risk (Contd.)

##### 19.5.2 Foreign Currency Risk

The Company is exposed to foreign currency risk on monetary amounts denominated in a currency other than the functional currency of the Company (EUR), mainly the SEK. Since the exposure is not significant, no hedging is performed by the Company.

At 31 December 2022, the Company was exposed to the following liabilities in foreign currencies:

	<u>2022</u>	<u>2021</u>
	Liabilities	Liabilities
Swedish Kroners - SEK	<u>23,302,807</u>	<u>23,337,471</u>

The following table details the Company's sensitivity to a 10% increase or decrease in foreign currency which mainly arises from the Company's exposure to trade receivables and payables.

	<u>2022</u>	<u>2021</u>
	Liabilities	Liabilities
	Euro	Euro
Profit or Loss	<u>190,476</u>	<u>206,978</u>

##### 19.6 Capital Management

The directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors' objective is to safeguard their ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The directors monitor the return on capital as well as the level of dividends to ordinary shareholders.

#### 20. Related Parties

##### 20.1 Parent and Ultimate Controlling Party

The Company is jointly owned by AS Sun Finance Scandinavia and AS Sun Finance Europe (the "Joint Parent Companies") whose registered offices are at Skanstes iela 52, Vidzemes priekšpilsēta, Rīga LV-1013, Latvia, and who are in turn subsidiaries of AS Sun Finance Group (the "Ultimate Parent Company") with registered offices at Skanstes iela 52, Vidzemes priekšpilsēta, Rīga LV-1013, Latvia.

AS Sun Finance Group prepares the consolidated financial statements of the Group of which Sun Finance Treasury Limited forms part. These financial statements will be filed and available for public viewing at the Malta Business Registry.

The ultimate controlling party is Mr. Aigars Kesenfelds.

## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 20. Related Parties (Contd.)

##### 20.2 Identity of Related Parties

The Company has a related party relationship with its ultimate beneficial owner, ultimate parent, joint parent, subsidiaries and related companies.

##### 20.3 Related Party Transactions and Balances

	<u>2022</u>	<u>2021</u>
	<u>Euro</u>	<u>Euro</u>
<b>Related Companies</b>		
Interest Receivable from	7,384,108	4,532,967
Interest Payable to	(1,609,662)	(1,123,211)
Advances to	<u>(22,174,423)</u>	<u>(26,855,314)</u>
<b>Subsidiary Companies</b>		
Interest Receivable from	793,360	687,954
Loan Advanced to	<u>(622,360)</u>	<u>(1,489,954)</u>
<b>Joint Parent Companies</b>		
Interest Receivable from	505,876	795,740
Loan Advanced from/to	<u>6,411,891</u>	<u>(1,280,834)</u>
<b>Ultimate Parent Company</b>		
Interest Receivable from	589,483	581,798
Loan Advanced from/to	<u>(2,915,038)</u>	<u>3,479,174</u>

Amounts due to and from related parties are disclosed in Notes 11, 12, 16 and 17 to these financial statements.

The key management of the Company is considered to be the directors of the Company. The director's remuneration has been disclosed in Note 7 to these financial statements.

#### 21. Operating Commitments

At year end, the Company had operating lease commitments of approximately € 5,000 per annum.

#### 22. Capital Commitments

The Company did not have any commitments to purchase any property, plant and equipment at year end.

#### 23. Contingent Liabilities

At year end, the Company did not have any contingent liabilities.



## SUN FINANCE TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 24. Going Concern

During the year under review, the Company incurred an operating loss of € 2,530,739 and registered an overall loss of € 2,336,602.

As at year end, the Company had net current assets of € 57,490,230 but had a net assets deficiency position amounting to € 6,876,459.

During the year, related companies continued to provide financial support to the Company and this financing is still required to enable the Company to continue in business as a going concern.

The foregoing factors cast significant doubt upon the Company's ability to continue in operation in the foreseeable future. However, notwithstanding the said factors, the Company has a subordinated loan payable for € 14,353,929 from a third party which does not have a fixed date of repayment but has to be repaid by not later than 30 September 2024. This subordinated loan is unsecured and is subject to be repaid after all senior liabilities have been paid, and the lender cannot take any encumbrance to secure the repayment of the subordinated liabilities and cannot commence any proceedings against the Company or take any action for or in respect of the recovery of any of the subordinated liabilities or part thereof. Furthermore, the parent company has indicated that it is able and willing to continue financing the operations of the Company for at least a further year from the date of issue of these financial statements. Accordingly, the directors believe that the going concern basis applied in the preparation of these financial statements is appropriate.

#### 25. Russia – Ukraine War

On 24 February 2022, Russia invaded Ukraine. The invasion received widespread international condemnation, including new sanctions imposed on Russia, which triggered widespread economic effects on the Russian and World economies. The sanctions imposed and supply limitations resulted in high inflation across the European Union and brought a number of uncertainties towards the largest economies. The repercussions of such conflicts may result in negative effects on the Company's business activity.

The Company does not have any business or reliance on Russia or Ukraine and as at the date of this report, the Company is not negatively impacted by the ongoing war in Ukraine. The directors continue to actively monitor all developments taking place internationally and to take any action that might be necessary in the eventuality that developments in the war start to impact the Company's performance and operations.

#### 26. Subsequent Events

##### 26.1 Senior Unsecured Notes

On 30 March 2023, the Senior Unsecured Notes with a nominal value of € 50,000,000 and which mature in September 2025 were included on the Nasdaq Baltic Alternative Market First North. At December 2022, an amount of € 32,539,000 had already been issued (see Note 15).

##### 26.2 Other

The directors have evaluated other subsequent events since 31 December 2022 up to the date of approval of these financial statements and concluded that there were no subsequent events which require disclosure in the financial statement.

# SUN FINANCE TREASURY LIMITED

## SCHEDULE TO INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>2022</u>	<u>2021</u>
	Euro	Euro
<b>Finance Income</b>		
Loan Interest Income	9,278,668	6,723,984
Coupon Notes Income	2,539,329	2,342,369
	<u>11,817,997</u>	<u>9,066,353</u>
<b>Finance Costs</b>		
Loan Interest Expense	4,196,263	4,344,728
Coupon Notes Costs	7,943,404	5,135,251
	<u>12,139,667</u>	<u>9,479,979</u>
<b>Net Interest Margin</b>	<u>(321,670)</u>	<u>(413,626)</u>
<b>Operational Overheads</b>		
Amortization of Bond Costs	745,336	544,800
Bad Debts Write Off	1,122,799	10,232
Expected Credit Losses	164,643	1,229,978
	<u>2,032,778</u>	<u>1,785,010</u>
<b>Administrative Overheads</b>		
Auditors' Remuneration	14,160	14,750
Bank Charges	96,207	86,101
Commission Payable	-	72,500
Director's Remuneration	46,512	8,499
Fines and Penalties	-	258
Legal and Professional Fees	11,771	24,261
Registration Fees	350	350
Rent Payable	4,814	4,814
Salaries and Social Costs	-	38,191
Stationery and Courier Fees	2,800	-
Telecommunication Costs	80	102
	<u>176,694</u>	<u>249,826</u>
	<u>(2,209,472)</u>	<u>(2,448,462)</u>
<b>Other Operating Income</b>		
Gain on Liquidation of Investment in Subsidiary	-	26,993
Over-Provision of Expenses in Prior Years	-	16,867
Other Income	403	-
	<u>403</u>	<u>43,860</u>
<b>Operating Loss</b>	<u>(2,209,069)</u>	<u>(2,404,602)</u>