

SUN FINANCE TREASURY LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2023

SUN FINANCE TREASURY LIMITED
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SUN FINANCE TREASURY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

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 was generally maintained, however, the Company incurred higher interest 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 posted an operating loss. After accounting for net interest costs, the Company registered a substantial loss for the year. The Company's financial position continues to be in deficiency and fully supported by balances due to the joint parent companies and who have indicated that they are able and willing to continue financing the operations of the Company by not requesting repayment of such balances within the next twelve months from the date of issue of these financial statements. Accordingly, the going concern basis applied in the preparation of these financial statements is appropriate.

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 exposed to interest rate risk as loans are issued at fixed rates while the majority of the borrowings are subject to floating interest rates. Management believes that for the Company, the interest rate risk is not material. The floating part of the borrowings is linked to the interest rate set by the European Central Bank which has kept the rate stable recently and there are no indications about expected increases. The management actively manages this risk.

The Group operate in a highly competitive marketplace, which competitors, changes in the regulation and government decisions, situation in the world economy and politics might cause an effect on the Group operations. Therefore, the Board continues to take a proactive approach to recognising and mitigating risk with the aim to ensure the Group related companies with available to continuity of funding.

Future Developments

During the 2024 financial year, the Company is planning to attract 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 2023

Regional Conflicts

Conflicts between countries will always have a negative effect on the rest of the world. The increased challenges brought about by various conflicts in Ukraine and the Middle East cannot be ignored. However, following a thorough assessment of the Company's operations and, more significantly, that of the Group, it has been noted that there is no reliance on these regions for goods or services. The directors continue to actively monitor all developments taking place internationally in order to take any action that might be necessary in the eventuality that developments in these conflicts start to impact the Company's and the Group's performance and operations.

Going Concern

In prior years, in consideration of the Company's negative results and deficient financial position, the directors had taken cognisance of the fact that the deficiency position of the Company was fully covered by an unsecured third party subordinated loan payable amounting to € 14,353,929 and which loan did not have a fixed date of repayment but was to be repaid by not later than 30 September 2024. This subordinated loan was subject to be repaid after all senior liabilities had been paid, and for which the lender could not take any encumbrance to secure the repayment of the subordinated liabilities and could not 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. This loan was repaid in full during the year under review.

During the current year, the Company is relying on the financial support of its joint parent companies who have advanced funds amounting to € 27,590,811 although these are not subordinated to any other liabilities, the joint parent companies have provided support letters indicating that they will not request repayment of the amounts due to them within the next twelve months. Furthermore, they indicated that they are 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 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 26 June 2024 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 26 June 2024 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 30 of Sun Finance Treasury Limited (the "Company") which comprise the statement of financial position as at 31 December 2023, 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 2023, 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).

Material Uncertainty Related to Going Concern

We draw attention to Note 24 to the financial statements which indicates that the Company incurred a net loss of € 7,874,828 during the year ended 31 December 2023 and, as of that date, the Company's liabilities exceeded its total assets by € 14,520,121 which deficiency is however fully supported by amounts due to the joint parent companies who have indicated that they will not request repayment of the amounts due to them within the next twelve months. As stated in Note 24, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information (Contd.)

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.

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditors' Responsibilities for the Audit of the Financial Statements (Contd.)

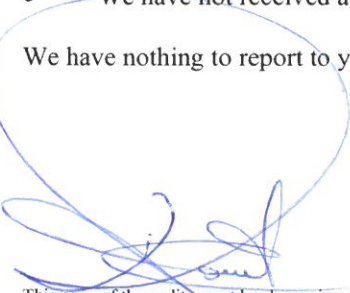
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we 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.

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

26 June 2024

SUN FINANCE TREASURY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

		<u>2023</u>	<u>2022</u>
	Note	Euro	Euro
Finance Income	4	11,628,172	11,817,997
Finance Costs	5	(15,727,107)	(12,139,667)
Net Interest Margin		(4,098,935)	(321,670)
Operational Overheads		(3,528,090)	(2,032,778)
Administrative Overheads		(155,731)	(176,694)
Other Operating Income		-	403
Operating Loss	6	(7,782,756)	(2,530,739)
Finance Income	7	12,208	207,659
Finance Costs	7	(81,076)	(273)
Net Finance Income/(Costs)	7	(68,868)	207,386
Loss before Taxation		(7,851,624)	(2,323,353)
Tax Expense	8	(23,204)	(13,249)
Loss for the Year		(7,874,828)	(2,336,602)
Total Comprehensive Loss for the Year		(7,874,828)	(2,336,602)

The notes on pages 11 to 30 form an integral part of these financial statements.


SUN FINANCE TREASURY LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

		<u>2023</u>	<u>2022</u>
	Note	Euro	Euro
ASSETS			
Plant and Equipment	9	922	-
Investment in Subsidiaries	10	1	47,093
Non-Interest Bearing Receivables	11	5,861,554	3,805,111
Total Non-Current Assets		<u>5,862,477</u>	<u>3,852,204</u>
Interest Bearing Receivables	12	110,037,366	90,950,332
Other Receivables	13	263,336	9,016
Cash and Cash Equivalents	14	2,872,237	1,302,751
Total Current Assets		<u>113,172,939</u>	<u>92,262,099</u>
Total Assets		<u>119,035,416</u>	<u>96,114,303</u>
EQUITY			
Share Capital	15	51,166	51,166
Capital Contribution	15	180,000	-
Accumulated Losses		(14,751,287)	(6,876,459)
Total Equity Deficiency		<u>(14,520,121)</u>	<u>(6,825,293)</u>
LIABILITIES			
Borrowings	16	63,043,401	50,008,687
Loans Payable	17	-	14,353,929
Total Non-Current Liabilities		<u>63,043,401</u>	<u>64,362,616</u>
Borrowings	16	18,765,842	16,121,684
Loans Payable	17	51,723,109	22,430,501
Other Payables	18	23,185	24,795
Total Current Liabilities		<u>70,512,136</u>	<u>38,576,980</u>
Total Liabilities		<u>133,555,537</u>	<u>102,939,596</u>
Total Equity and Liabilities		<u>119,035,416</u>	<u>96,114,303</u>

The notes on pages 11 to 30 form an integral part of these financial statements.

The financial statements on pages 7 to 30 were approved and authorised for issue by the Board of Directors on 26 June 2024 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 2023

	<u>Total</u>	<u>Share Capital</u>	<u>Capital Contribution</u>	<u>Accumulated Losses</u>
	Euro	Euro	Euro	Euro
Balance 1 January 2023	(6,825,293)	51,166	-	(6,876,459)
Contributions by Owners of the Company				
Contribution for Future Capital Increase	180,000	-	180,000	-
Comprehensive Loss for the Year				
Loss for the Year	(7,874,828)	-	-	(7,874,828)
Balance at 31 December 2023	<u>(14,520,121)</u>	<u>51,166</u>	<u>180,000</u>	<u>(14,751,287)</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>-</u>	<u>(6,876,459)</u>

The notes on pages 11 to 30 form an integral part of these financial statements.

SUN FINANCE TREASURY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	<u>2023</u>	<u>2022</u>
		Euro	Euro
Cash Flows from Operating Activities			
Loss for the Year		(7,874,828)	(2,336,602)
<i>Adjustments for:</i>			
Expected Credit Losses		2,561,402	164,643
Bad Debts Write Off		-	1,122,799
Depreciation		254	
Amortization of Bond Expenses		966,688	745,336
Unrealized Differences on Exchange		79,930	(207,659)
Income Tax Expense		23,204	13,249
		(4,243,350)	(498,234)
<i>Changes in:</i>			
Other Receivables		(254,320)	33,327
Other Payables		(1,610)	(77,236)
Cash Lost from Operations		(4,499,280)	(542,143)
Final Withholding Taxes Paid		(23,204)	(13,249)
Net Cash used in Operating Activities		(4,522,484)	(555,392)
Cash Flows from Investing Activities			
Acquisition of Plant and Equipment		(1,176)	-
Acquisition of Investment in Subsidiary		(172,402)	-
Acquisition of Financial Assets at FVTPL		(18,490,000)	(4,025,000)
Sale Proceeds on Disposal of Financial Assets at FVTPL		31,696,000	13,347,000
Movement on Loans Receivable		(23,485,385)	(29,394,206)
Net Cash used in Investing Activities		(10,452,963)	(20,072,206)
Cash Flows from Financing Activities			
Contribution for Future Capital Increase		180,000	-
Net Advances from Bonds Issued		2,503,000	17,539,000
Bond Issue Costs		(996,816)	(1,419,063)
Movement on Third Parties Loans		(15,515,950)	(3,648,267)
Movement on Related Companies Loans		5,246,551	6,402,633
Movement on Joint Parent Companies Loans		25,208,078	2,382,733
Net Cash from Financing Activities		16,624,863	21,257,036
Net Movement in Cash and Cash Equivalents		1,649,416	629,438
Adjustment for Unrealised Exchange Fluctuations		(79,930)	207,659
Cash and Cash Equivalents at Beginning of Year		1,302,751	465,654
Cash and Cash Equivalents at End of Year	14	<u>2,872,237</u>	<u>1,302,751</u>

The notes on pages 11 to 30 form an integral part of these financial statements.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 Sun Finance Group AS, 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 2023

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 2023. 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 2023

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.

Guarantee Fee Income

Guarantee fee income comprises fees receivable for the provision of guarantees in the ordinary course of business. Such fees receivable are 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 2023

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.

Expected credit 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 2023

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 2023

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 Finance Income and Finance Costs

Finance income comprises interest income. Interest income is recognised as this accrues in profit or loss, using the effective interest method.

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.

3.17 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.

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.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Significant Accounting Policies (Contd.)

3.18 Tax (Contd.)

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>2023</u>	<u>2022</u>
	Euro	Euro
Loan Interest Income	10,926,848	9,278,668
Coupon Notes Income	448,204	2,539,329
Guarantee Fees	253,120	-
	-----	-----
	<u>11,628,172</u>	<u>11,817,997</u>
	=====	=====

5. Finance Costs

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Loan Interest Expense	5,148,152	4,196,263
Coupon Notes Costs	10,578,955	7,943,404
	-----	-----
	<u>15,727,107</u>	<u>12,139,667</u>
	=====	=====

6. Operating Loss

The results from operating activities are stated after charging/(crediting) the following:

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Amortisation of Bond Costs	966,688	745,336
Auditors' Remuneration (Incl. VAT)	17,110	14,160
Bad Debts Written Off	-	1,122,799
Director's Remuneration	42,708	46,512
Expected Credit Losses	2,561,402	164,643
	-----	-----
	<u>3,587,908</u>	<u>2,093,450</u>
	=====	=====

6.1 Employee Information

The Company did not have any persons employed with it during the accounting year, except for the working director.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

7. Finance Income and Finance Costs

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Bank Interest	12,208	-
Unrealised Foreign Exchange Gains	-	207,659
Finance Income	12,208	207,659
Realised Loss on Exchange	(1,146)	(273)
Unrealised Foreign Exchange Losses	(79,930)	-
Finance Costs	(81,076)	(273)
Net Finance Income/(Costs)	(68,868)	207,386

8. Tax Expense

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Current Taxation – Foreign Withholding Taxes	23,204	13,249
Total Tax Charge	23,204	13,249

8.1 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>2023</u>	<u>2022</u>
	Euro	Euro
Loss before Taxation	(7,851,624)	(2,323,353)
Tax Using the Company's Domestic Tax Rate of 35%	(2,748,068)	(813,174)
Tax Effect of Non-Chargeable Income	-	(72,681)
Tax Effect of Non-Allowable Expenses	(1,189,612)	57,625
Tax Effect of Tax Losses Carried Forward	3,937,680	828,230
Foreign Tax Paid	23,204	13,249
Tax Expense for the Year	23,204	13,249

8.2 Deferred Tax

As of the reporting date, the Company had unabsorbed tax losses giving rise to a deferred tax asset. The deferred tax benefits arising from these unabsorbed tax losses have not been recognized in these financial statements because the probability that future taxable profits will be available for set-off in the near future against the deferred tax asset is not assured.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. Plant and Equipment

	At <u>01.01.23</u>	<u>Additions</u>	At <u>31.12.23</u>
	Euro	Euro	Euro
Cost:			
Computer Equipment	-	1,176	1,176
	-----	-----	-----
	At <u>01.01.23</u>	Charge <u>For Year</u>	At <u>31.12.23</u>
	Euro	Euro	Euro
Depreciation:			
Computer Equipment	-	254	254
	-----	-----	-----
Net Book Amount	-		922
	=====		=====

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

10. Investment in Subsidiaries

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Equity Investments:		
Investment in Subsidiary Companies at Cost	219,495	47,093
Impairment Provision on Investment in Subsidiary Companies	(219,494)	-
	-----	-----
Net Investment in Subsidiaries	1	47,093
	=====	=====

10.1 The Company's principal subsidiaries as at 31 December 2023 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>2023</u>	<u>2022</u>	
Primastar Sp. Z.O.O.	Poland	100%	100%	Short-Term Lending
		=====	=====	

10.2 As at 31 December 2023, the unaudited financial statements of the subsidiary company showed a deficient equity position of € 2,216,617 which was worse than in 2022, where the deficiency was of € 1,371,098. The directors envisage that the Company will be able to return to a positive equity position during the coming years however, the probability of recoverability of the investment in the short term is remote, and as a result, the Company provided for full impairment of the investment during the year under review.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. Non-Interest Bearing Receivables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Non-Current:		
Amounts Due from Related Company	5,861,554	3,805,111
Total Non-Interest Bearing Receivables	<u>5,861,554</u>	<u>3,805,111</u>

11.1 The balance due from the related company is unsecured, interest free and repayable by 31 December 2025. At 31 December 2023, the unaudited financial statements of the related company showed an equity deficiency position of € 208,887 however, this amount has already been impaired against a loan receivable included under Note 12, and thus there are no further expected credit losses to be provided for in relation the above balance. The directors are still confident that all loans receivable from this related party will be repaid in full.

11.2 The Company's exposure to credit risk related to loans receivable is disclosed in Note 20.3. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the loans receivable. To measure the expected credit losses, loans receivable are grouped based on shared credit risk characteristics.

12. Interest Bearing Receivables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Current:		
Loans and Interest Receivable from Third Parties	-	1,084
Loans and Interest Receivable from Related Companies	100,820,292	79,023,101
Loans and Interest Receivable from Subsidiary Company	9,324,791	7,182,063
Loans and Interest Receivable from Joint Parent Companies	-	428,043
Loans and Interest Receivable from Ultimate Parent Company	4,136,242	6,218,092
	<u>114,281,325</u>	92,852,383
Expected Credit Loss Provisions on Related Companies Loans	<u>(4,243,959)</u>	(1,902,051)
Net Loans Receivable	<u>110,037,366</u>	<u>90,950,332</u>

12.1 These variable credit lines and loans receivable have a maturity date that varies from 2024 to 2027 and bear interest at rates ranging from 5% p.a. to 14.8% p.a., with the majority of the loans bearing an interest rate ranging between 14.3% p.a. to 14.8% p.a.

12.2 The balances due on the said loans are unsecured and repayable on the earlier of the above-indicated maturity dates or any accelerated date. The borrowing parties are to pay interest at the stated rates per annum on the principal amount due, both before and after maturity, default and judgement.

12.3 The Company's exposure to credit risk related to loans receivable is disclosed in Note 20.3. 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.

12.4 Loans receivable are stated net of expected credit loss allowances amounting to € 4,243,959 (2022 – € 1,902,051). The expected loss rates are based on the historical payment profiles of the related companies. 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.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. Other Receivables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Accrued Income from Related Company	253,120	-
Other Receivables	401	493
Prepaid Expenses	6,815	8,523
Related Company Account	3,000	-
	<u>263,336</u>	<u>9,016</u>

13.1 The related company account is unsecured, interest-free and repayable on demand.

13.2 No expected credit loss allowance was considered necessary by the directors on the other balances receivable.

14. Cash and Cash Equivalents

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Bank Balances	2,872,237	1,302,751
Cash and Cash Equivalents	<u>2,872,237</u>	<u>1,302,751</u>

14.1 The Company's exposure to credit risk related to cash and cash equivalents is disclosed in Note 20.3. 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.

14.2 Included with bank balances is an amount of € 80,000 held with Satabank p.l.c. and which bank has been placed into liquidation. The director believes that no Expected Credit Losses are to be provided for on this balance as it is deemed to be recoverable through the Depositor Guarantee Scheme.

15. Share Capital and Reserves

15.1 Share Capital

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Authorised		
51,166 Ordinary Shares of € 1 each	<u>51,166</u>	<u>51,166</u>
Issued and Fully Paid Up		
51,166 Ordinary Shares of € 1 each	<u>51,166</u>	<u>51,166</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.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. Share Capital and Reserves (Contd.)

15.2 Capital Contribution

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Capital Contribution	180,000	-
Total Capital Contribution	180,000	-

This balance of € 180,000 represents funds advanced and contributed by the joint parent companies on account of a future increase in share capital of the Company, which increase was resolved, approved and registered with the Malta Business Registry during 2024.

16. Borrowings

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Non-Current:		
11% Notes 2024	-	20,000,000
11% plus 3 month EURIBOR Notes 2025	50,000,000	32,539,000
11% plus 3 month EURIBOR Notes 2026	15,042,000	-
	65,042,000	52,539,000
Less:		
11% Notes 2024 Subscribed by Company (Note 16.3)	-	(965,000)
11% Notes 2026 Subscribed by Company (Note 16.3)	(500,000)	-
	64,542,000	51,574,000
Deferred Bond Costs Net of Amortization to Profit and Loss	(1,498,599)	(1,565,313)
Total Non-Current Borrowings	63,043,401	50,008,687
Current:		
12% Notes 2023	-	30,000,000
11% Notes 2024	20,000,000	-
	20,000,000	30,000,000
Less:		
12% Notes 2023 Subscribed by Company (Note 16.3)	-	(13,860,000)
11% Notes 2024 Subscribed by Company (Note 16.3)	(1,119,000)	-
	18,881,000	16,140,000
Deferred Bond Costs Net of Amortization to Profit and Loss	(115,158)	(18,316)
Total Current Borrowings	18,765,842	16,121,684
Total Net Borrowings	81,809,243	66,130,371

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. Borrowings (Contd.)

16.1 The table below details the various private placements in issue by the Company on the Latvian market, together with their respective maturity details:

Year of Issue	Details of Notes Issued	Nominal Value	Nominal Value	Maturity Date
		<u>2023</u>	<u>2022</u>	
		Euro	Euro	
2021	Subordinated Notes	-	30,000,000	February 2023
2021	Senior Unsecured Notes	20,000,000	20,000,000	June 2024
2022	Senior Unsecured Notes	50,000,000	32,539,000	September 2025
2023	Senior Unsecured Notes	15,042,000	-	November 2026
		<u>85,042,000</u>	<u>82,539,000</u>	

16.2 All Notes in issue as at 31 December 2023 are guaranteed directly and indirectly by subsidiaries of Sun Finance Group AS, the ultimate parent company. The related issue costs are being amortised over the lifetime of the Notes.

16.3 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.

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:

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Notes Held for Trading:		
Balance at Beginning of Year	14,825,000	24,147,000
Additions	18,490,000	4,025,000
Disposals/Redemptions	(31,696,000)	(13,347,000)
Balance at End of Year	<u>1,619,000</u>	<u>14,825,000</u>

17. Loans Payable

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Non-Current:		
Loan and Interest Payable to Third Party	-	14,353,929
Current:		
Loans and Interest Payable to Third Parties	873,906	2,035,927
Loans and Interest Payable to Related Companies	23,258,392	18,011,841
Loans and Interest Payable to Joint Parent Companies	27,590,811	2,382,733
	<u>51,723,109</u>	<u>22,430,501</u>
Total Loans Payable	<u>51,723,109</u>	<u>36,784,430</u>

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

17. Loans Payable (Contd.)

17.1 The non-current loan and interest thereon in the comparative period amounting to € 14,353,929 was payable to a third party and represented a subordinated loan. This subordinated loan was unsecured and was subject to be repaid after all senior liabilities have been paid. Furthermore, the lender could not take any encumbrance to secure the repayment of the subordinated liabilities and could not commence any proceedings against the Company nor take any action for or in respect of the recovery of any of the subordinated liabilities or part thereof. This loan was repaid in full during the year under review.

17.2 The loans are unsecured, are repayable on the earlier of their respective maturity dates that range between 2024 and 2027 or any accelerated date thereof, and bear interest at rates ranging from 12% p.a. to 14.5% p.a. (2022 – 12% p.a. to 17.72% p.a.). The Company is to pay interest at the relative rates per annum on the principal amount due, both before and after maturity, default and judgement.

17.3 Included with loans and interest payable to third parties, are amounts due to employees of group companies.

18. Other Payables

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Trade Payables	2,554	4,738
Accrued Expenses	17,987	16,875
Other Taxes	144	683
Other Social Taxes	2,500	2,499
	-----	-----
	<u>23,185</u>	<u>24,795</u>
	=====	=====

19. Fair Value Hierarchy

The following table shows financial instruments, including those recognised at fair value, for the year ended 31 December 2023, 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 2023

19. 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>
	Euro	Euro	Euro	Euro
31 December 2023				
Financial Assets				
Investment in Subsidiaries	1	-	-	1
Non-Interest Bearing Receivables	5,861,554	-	-	5,861,554
Interest Bearing Receivables	110,037,366	-	-	110,037,366
Other Receivables	263,336	-	-	263,336
Cash and Cash Equivalents	2,872,237	-	-	2,872,237
	-----	-----	-----	-----
	<u>119,034,494</u>	-	-	<u>119,034,494</u>
	=====	=====	=====	=====
Financial Liabilities				
Borrowings	81,809,243	-	-	81,809,243
Loans Payable	51,723,109	-	-	51,723,109
Other Payables	23,185	-	-	23,185
	-----	-----	-----	-----
	<u>133,555,537</u>	-	-	<u>133,555,537</u>
	=====	=====	=====	=====
31 December 2022				
Financial Assets				
Investment in Subsidiaries	47,093	-	-	47,093
Non-Interest Bearing Receivables	3,805,111	-	-	3,805,111
Interest Bearing Receivables	90,950,332	-	-	90,950,332
Other Receivables	9,016	-	-	9,016
Cash and Cash Equivalents	1,302,751	-	-	1,302,751
	-----	-----	-----	-----
	<u>96,114,303</u>	-	-	<u>96,114,303</u>
	=====	=====	=====	=====
Financial Liabilities				
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>102,939,596</u>
	=====	=====	=====	=====

During the reporting year ended 31 December 2023, there was no transfer between Level 1 and Level 2 fair value measurement.

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Financial Risk Management

20.1 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.

20.2 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:

20.3 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 related companies. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Company monitors intra-group credit exposures on a regular basis in the context of the overall group.

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>2023</u>	<u>2022</u>
	Euro	Euro
Interest Bearing Receivables	110,037,366	90,950,332
Non-Interest Bearing Receivables	5,861,554	3,805,111
Other Receivables	263,336	9,016
Cash and Cash Equivalents	2,872,237	1,302,751
	-----	-----
	<u>119,034,493</u>	<u>96,067,210</u>
	=====	=====

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. Financial Risk Management (Contd.)

20.4 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.

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>
	Euro	Euro	Euro	Euro
31 December 2023				
Borrowings	18,765,842	48,783,825	14,259,576	-
Loans Payable	51,723,109	-	-	-
Other Payables	23,185	-	-	-
	<u>70,512,136</u>	<u>48,783,825</u>	<u>14,259,576</u>	<u>-</u>
31 December 2022				
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>

20.5 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 though profit and loss, all other variables held constant, have a result in an increase in the fair value reserve and net assets of € 161,900 (2022 - € 1,482,500). A 10% decrease in value would have an effect of a decrease in the fair value reserve and net assets by the same amount.

20.5.1 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 2023

20. Financial Risk Management (Contd.)

20.5.2 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 2023, the Company was exposed to the following liabilities in foreign currencies:

	<u>2023</u>	<u>2022</u>
	Liabilities	Liabilities
Swedish Kroners - SEK	<u>23,285,552</u>	<u>23,302,807</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>2023</u>	<u>2022</u>
	Euro	Euro
Liabilities:		
Profit or Loss	<u>190,778</u>	<u>190,476</u>

20.6 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.

21. Related Parties

21.1 Parent and Ultimate Controlling Party

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

Sun Finance Group AS 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.

21.2 Identity of Related Parties

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

SUN FINANCE TREASURY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. Related Parties (Contd.)

21.3 Related Party Transactions and Balances

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Related Companies		
Interest Receivable from	9,769,044	7,384,108
Guarantee Fees Receivable from	253,120	-
Interest Payable to	(1,828,072)	(1,609,662)
Net Funds Advanced by/(to)	<u>(18,607,083)</u>	<u>(22,465,424)</u>
Subsidiary Companies		
Interest Receivable from	742,728	793,360
Net Funds Advanced by/(to)	<u>(2,142,728)</u>	<u>(622,360)</u>
Joint Parent Companies		
Interest Receivable from	1,093	505,876
Interest Payable to	(2,186,857)	-
Contribution for Future Capital Increase	180,000	-
Net Funds Advanced by/(to)	<u>25,636,121</u>	<u>8,794,624</u>
Ultimate Parent Company		
Interest Receivable from	413,983	589,483
Interest Payable to	(56,888)	-
Net Funds Advanced by/(to)	<u>2,081,850</u>	<u>(2,915,038)</u>

Amounts due to and from related parties are disclosed in Notes 11, 12, 13, 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 6 to these financial statements.

22. Operating Commitments

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

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 2023

24. **Going Concern**

During the year under review, the Company incurred an operating loss of € 7,782,756 and registered an overall loss of € 7,874,828.

As at year end, the Company had net current assets of € 42,660,803 but had a net assets deficiency position amounting to € 14,520,121 but which position is however fully supported by credit lines due to the joint parent companies amounting to € 27,590,811 and which companies have indicated that they will not request repayment within the next twelve months.

This financing is especially important, since during the year the Company repaid an unsecured subordinated loan for € 14,353,929 to a third party, which loan was subject to be repaid after all senior liabilities had been paid for, and for which the lender could not take any encumbrance to secure the repayment of the subordinated liabilities and furthermore could not 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.

During the year, the joint parent companies provided 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 directors have received confirmation from the joint parent companies that they will not request repayment of the loans due to them within the next twelve months. Accordingly, the going concern basis applied in the preparation of these financial statements is appropriate.

25. **Regional Conflicts**

Conflicts between countries will always have a negative effect on the rest of the world. The increased challenges brought about by various conflicts in Ukraine and the Middle East cannot be ignored. However, following a thorough assessment of the Company's operations and, more significantly, that of the Group, it has been noted that there is no reliance on these regions for goods or services. The directors continue to actively monitor all developments taking place internationally in order to take any action that might be necessary in the eventuality that developments in these conflicts start to impact the Company's and the Group's performance and operations.

26. **Subsequent Events**

26.1 ***New Bond Issue***

On 11 March 2024, the Company listed the 3.5-year corporate bond with an issue value of € 27 million and an annual interest rate of 11% plus 3 month EURIBOR, registered in May 2023, for trading on the Nasdaq First North market. The bond maturity is November 2026.

To refinance the Company's 3-year € 20 million corporate bond maturing on 30 June 2024, as well as to support new product development and further geographic expansion, the Company registered a new 3.5-year corporate bond on 22 May 2024, with an issue value of up to € 40 million. The new bond, maturing in November 2027, is organized as a private placement with an 11% coupon rate, paid monthly.

26.2 ***Other***

The directors have evaluated other subsequent events since 31 December 2023 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 2023

	<u>2023</u>	<u>2022</u>
	Euro	Euro
Finance Income		
Loan Interest Income	10,926,848	9,278,668
Coupon Notes Income	448,204	2,539,329
Guarantee Fees	253,120	-
	-----	-----
	11,628,172	11,817,997
	-----	-----
Finance Costs		
Loan Interest Expense	5,148,152	4,196,263
Coupon Notes Costs	10,578,955	7,943,404
	-----	-----
	15,727,107	12,139,667
	-----	-----
Net Interest Margin	(4,098,935)	(321,670)
	-----	-----
Operational Overheads		
Amortisation of Bond Costs	966,688	745,336
Bad Debts Write Off	-	1,122,799
Expected Credit Losses	2,561,402	164,643
	-----	-----
	3,528,090	2,032,778
	-----	-----
Administrative Overheads		
Annual Return Fee	350	350
Auditors' Remuneration	17,110	14,160
Bank Charges	63,888	96,207
Depreciation	254	-
Director's Remuneration	42,708	46,512
Legal and Professional Fees	24,603	11,771
Rent Payable	4,814	4,814
Stationery and Courier Fees	1,933	2,800
Telecommunication Costs	71	80
	-----	-----
	155,731	176,694
	-----	-----
	(7,782,756)	(2,531,142)
Other Operating Income		
Other Income	-	403
	-----	-----
Operating Loss	(7,782,756)	(2,530,739)
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