

Carmelo Stivala Group Limited

Annual Report and Financial Statements for the year ended 31 December 2025

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Carmelo Stivala Group Limited

Directors' Report for the year ended 31 December 2025

The Board of Directors is hereby presenting its annual report together with the audited financial statements of the Company for the year ended 31 December 2025.

Directors

The Directors of the Company since the beginning of the year up to the date of this report were:

Mr. Michael Stivala

Mr. Ivan Stivala

Mr. Martin John Stivala

Principal activity

The Company is principally engaged in renting properties to its subsidiaries. It is also a holding company.

Review of business

During the year ended 31 December 2025, the Company's profitability decreased when compared to the prior year despite the increase in fair value of the investment properties. Mainly this is due to the sale of intangible asset taking place during 2024. The Company generated a profit before tax of €41,381,140 (2024: €61,742,175).

Given the company's financing structure and the positive net assets position attained by the company by the end of the current financial year, the directors consider the company's state of affairs as at the close of the financial year to be satisfactory.

Results

The results for the year are set out in the statement of comprehensive income on page 10.

Future Developments

The directors expect to attain and enhance the Company's present level of revenue and continue to register positive results in the coming years.

Dividend

The Board of Directors paid a dividend of €6,705,000 (2024 : €23,000,000), net of taxation.

Events after the reporting period

All events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as at 31 December 2025 for the Company are included in these financial statements.

Financial Reporting Framework

The directors have prepared the Company's financial statements for the year ended 31 December 2025 in accordance with the International Financial Reporting Standards as adopted by the European Union, and the requirements of the Maltese Companies Act, 1995 (Chapter 386, Laws of Malta).

Carmelo Stivala Group Limited

Directors' Report for the year ended 31 December 2025

Auditors

A resolution to re-appoint HLB CA Falzon as auditors of the company will be proposed at the forthcoming annual general meeting. HLB CA Falzon have expressed their willingness to continue in office.

By order of the Board:



Mr. Michael Stivala - Director



Mr. Ivan Stivala - Director

Registered Office

ST Group Head Office Novotel Hotel Level 2,
60 Triq Sir Frederick C. Ponsonby
Gzira, Malta
GZR 1070

28 April 2026

Carmelo Stivala Group Limited

Statement of Directors' Responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the directors of Carmelo Stivala Group Limited to prepare annual financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the year in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

In preparing such 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 from one accounting year to another;
- make judgments and estimates that are reasonable and prudent; and
- account for income and charges relating to the accounting year on the accruals basis.

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 have been properly prepared in accordance with the provisions of the Companies Act, Cap. 386 of the Laws of Malta.

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.

The directors are not required to prepare consolidated financial statements in consequence of the company being exempt from the obligation to prepare such financial statements since the company is a wholly-owned subsidiary company of an immediate parent company.

**Independent Auditors' Report
to the members of Carmelo Stivala Group Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Carmelo Stivala Group Limited ('the Company'), set out on pages 10 to 48, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance to the International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of 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 the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report to the members of Carmelo Stivala Group Limited

Key Audit Matters

Key Audit Matters are those matters that are intended to describe the matters selected from those communicated with the directors that, in our professional judgment, were of most significance in our audit of the financial statements as a whole, and in forming our opinion thereon.

We do not provide a separate opinion on these matters.

Investment property valuations

Key audit matter

The Group's investment property comprises of Offices, Commercial and Residential premises, amounting to €375,353,876 as disclosed in Note 15. This represents 74% of the Company's total assets as of 31 December 2025. A full revaluation assessment was carried out on all the properties in accordance with accounting policy's on 31 December 2025. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each investment property, its location and the expected future returns. Due to the significance of this investment property, and the dependency of the Company on this asset, we have considered that this is a key audit matter.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assess any property valuation movements when compared to previous valuation report and holds discussions with the independent valuer, as necessary.

Relevant references in the annual report and financial statements:

- Accounting policy: note (d)
- Note on investment property: note 15
- Judgements in applying accounting policies and key sources of estimation uncertainty: note 3

Independent Auditors' Report to the members of Carmelo Stivala Group Limited

How the scope of our audit responded to the risk

Our procedures in relation to the valuation of the properties included:

- We obtained an understanding of the company's process for determining fair value measurements and disclosures and the relevant control procedures. We assessed inherent and control risk related to the fair value measurements and disclosures and evaluated whether the fair value measurements and disclosures are in accordance with the company's financial reporting framework and are consistently applied.
- We performed tests relating to the valuation of the company's property, focusing on management reviews over the property valuations by inspecting management analysis and minutes of meetings of the board and audit committee where such valuation was discussed;
- Testing the mathematical accuracy of the calculations derived from each model.
- Assessing the key inputs in the calculations such as revenue growth and discount rate, by reference to management's forecasts, rental agreements for investment property, data external to the Group and our own expertise.
- Considering the appropriateness of the fair values estimated by the external valuers based on our knowledge of the industry.

- Considering the potential impact of reasonably possible changes in the key assumptions underlying the valuations. We challenged the Company's valuations to assess whether they fell within a reasonable range of the expectations developed. Management were able to provide explanations and refer to appropriate supporting evidence.

We have also assessed the relevance and adequacy of the disclosures relating to this investment property in accounting policy note s) and in note 15 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover this information, including the Directors' Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Independent Auditors' Report to the members of Carmelo Stivala Group Limited

- the information given in the Directors' Report for the year ended 31 December 2025 is consistent with the financial statements ; and
- the Directors' Report has been prepared in accordance with the Maltese 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. We have nothing to report on this regard.

Responsibilities of the Directors and Those Charged with Governance

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

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

Misstatements can arise from fraud or error and are considered material, if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 auditor's report that includes our opinion.

Reasonable Assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these.

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Independent Auditors' Report to the members of Carmelo Stivala Group Limited

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, present and 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 the directors regarding, among other matters, the planned, scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Independent Auditors' Report to the members of Carmelo Stivala Group Limited

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception by the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act").

We have nothing to report in respect of the following matters where the Act requires us to report to you if, in our opinion :

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessarily for the purpose of our audit ;
- proper books of account have not been kept by the company so far as appears from our examination thereof ;
- the information given in the Directors' Report for the financial year for which these financial statements are prepared is not consistent with the financial statements ;
- the company's financial statements are not in agreement with accounting records and returns; and
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

This copy of the audit report has been signed by:



Fiona Buttigieg
for and on behalf of HLB CA Falzon
Registered Auditors

28 April 2026

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Together we make it happen

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PRINCIPALS: Fiona Buttigieg, Jozef Wallace Galea, Patrizio Prospero, Elaine Galea.

Carmelo Stivala Group Limited

Statement of Comprehensive Income for the year ended 31 December 2025

	Note	2025 €	2024 €
Rent receivable	5	3,000,500	3,000,500
Gross profit		<u>3,000,500</u>	<u>3,000,500</u>
Administrative expenses	6	(48,758)	(58,486)
Profit on sale of property for resale	16	500,000	458,466
Operating profit		<u>3,451,742</u>	<u>3,400,480</u>
Dividend income		17,915,081	26,133,482
Other income	7	1,384,259	31,993,139
Change in fair value of investment property		18,697,423	209,000
Finance income	8	918,491	1,168,403
Finance costs	9	(985,856)	(1,162,329)
Profit before tax		<u>41,381,140</u>	<u>61,742,175</u>
Income tax expense	10	(1,070,140)	(912,017)
Deferred taxation	10	(2,754,819)	(713,256)
Profit for the year		<u>37,556,181</u>	<u>60,116,902</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year, net of tax		<u>37,556,181</u>	<u>60,116,902</u>

The notes on pages 14 to 48 form part of these financial statements.

Carmelo Stivala Group Limited

Statement of Financial Position as at 31 December 2025

	Note	2025 €	2024 €
ASSETS			
Non-current assets			
Investment in subsidiaries	12	502,400	502,400
Investment in associates	13	240	240
Investment property	15	375,353,876	355,192,670
Deferred tax assets	19	1,166,543	2,425,568
Total non-current assets		<u>377,023,059</u>	<u>358,120,878</u>
Current assets			
Property for resale	16	2,435,817	4,235,816
Other financial assets	14	124,856,144	121,099,337
Other receivables	17	3,341,104	1,389,245
Cash and cash equivalents	22	5,739,481	1,425,422
Total current assets		<u>136,372,546</u>	<u>128,149,820</u>
Total assets		<u>513,395,605</u>	<u>486,270,698</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	60,004,872	60,004,872
Other reserve	21	271,765,323	254,563,694
Retained earnings		122,145,597	108,496,045
Total equity and reserves		<u>453,915,792</u>	<u>423,064,611</u>
Non-current liabilities			
Non-current borrowings	14	16,754,967	18,719,285
Deferred tax liability	19	30,102,149	28,606,355
Total non-current liabilities		<u>46,857,116</u>	<u>47,325,640</u>
Current liabilities			
Current borrowings	14	11,509,674	7,966,156
Trade and other payables	18	1,059,187	7,860,455
Current taxation due	10	53,836	53,836
Total current liabilities		<u>12,622,697</u>	<u>15,880,447</u>
Total liabilities		<u>59,479,813</u>	<u>63,206,087</u>
Total equity and liabilities		<u>513,395,605</u>	<u>486,270,698</u>

The notes on pages 14 to 48 form part of these financial statements.

The financial statements on pages 10 to 44 were authorised for issue by the Board and were signed on its behalf by:

Mr. Michael Stivala - Director

Mr. Ivan Stivala - Director

28 April 2026

Carmelo Stivala Group Limited

Statement of Changes in Equity for the year ended 31 December 2025

	Note	Issued capital €	Other reserve €	Retained earnings €	Total €
As at 1 January 2024					
Opening balance		60,004,872	254,371,414	71,571,423	385,947,709
Profit for the year		-	-	60,116,902	60,116,902
Dividends	11	-	-	(23,000,000)	(23,000,000)
Transfer of fair value gain on investment property, net of tax	21		192,280	(192,280)	-
As at 31 December 2024		<u>60,004,872</u>	<u>254,563,694</u>	<u>108,496,045</u>	<u>423,064,611</u>
As at 1 January 2025					
Opening balance		60,004,872	254,563,694	108,496,045	423,064,611
Profit for the year		-	-	37,556,181	37,556,181
Dividends	11	-	-	(6,705,000)	(6,705,000)
Transfer of fair value gains on investment properties, net of tax	21	-	17,201,629	(17,201,629)	-
As at 31 December 2025		<u>60,004,872</u>	<u>271,765,323</u>	<u>122,145,597</u>	<u>453,915,792</u>

The notes on pages 14 to 48 form part of these financial statements.

Carmelo Stivala Group Limited

Statement of Cash Flows for the year ended 31 December 2025

	Note	2025 €	2024 €
Cash flows from operating activities			
Profit before tax		41,381,140	61,742,175
Adjustments for:			
Provision for estimated credit losses		354,689	(81,339)
Increase in fair value of investment property		(18,697,423)	(209,000)
Dividends receivable		(17,915,081)	(26,133,482)
Working capital changes:			
Decrease in property for resale	16	1,800,000	483,813
Decrease in receivables	17	49,150	352,795
(Decrease)/increase in payables	18	(6,801,267)	5,134,693
Finance income		(918,491)	(1,168,403)
Finance cost	9.	985,856	1,162,329
Taxation paid	10	(1,070,140)	(912,016)
Taxation refunded	10	-	246
Net cash (used in)/from operating activities		(831,567)	40,371,811
Cash flows from investing activities			
Payments to acquire investment property	15	(1,463,783)	(4,224,702)
Receipts from /(advances to) subsidiary undertakings	14	(10,721,130)	(54,966,038)
Advances to associated undertakings	14	(7,370)	17,419
Advances to parent undertakings	14	2,974,675	8,381,637
Receipts from /(advances to) related undertakings	14	3,997,018	(432,675)
Dividends received		17,915,081	26,133,482
Interest recharged to subsidiary undertakings		918,491	1,168,403
Net cash from/(used in) investing activities		13,612,982	(23,922,474)
Cash flows from financing activities			
Equity dividends paid	11	(6,705,000)	(23,000,000)
(Repayment of bank loans)/advances from banks	14	(2,728,863)	2,971,467
Interest paid on bank loans		(985,856)	(1,162,329)
Receipts from/(advances) to shareholders	14	(2,366,127)	7,453,727
Receipts from subsidiary undertakings	14	4,390,457	(470,591)
Payments to third parties	14	11,633	19,226
Net cash used in financing activities		(8,383,756)	(14,188,500)
Effect of ECL on cash in bank		(2,448)	(409)
Increase in cash and cash equivalents		4,397,659	2,260,837
Cash and cash equivalents at beginning of year		1,342,233	(918,604)
Cash and cash equivalents at end of year	22	5,739,892	1,342,233

The notes on pages 14 to 48 form part of these financial statements.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

1. Corporate information

Carmelo Stivala Group Limited is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the laws of Malta. The Company's registration number is C 62625.

2. Principal accounting policies

a) Basis of preparation

The Company's financial statements are prepared under the historical cost convention as modified by the measurement of investment properties under fair value model in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and in compliance with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements are presented in euro, which is the Company's functional currency.

The Company has availed itself of the exemption from preparing consolidated accounts in accordance with the International Financial Reporting Standards and as provided by Section 174 (1) of the Maltese Companies Act. 1995, as the consolidated accounts will be prepared by its parent company.

b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Upon adoption of IFRS 9)

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL). All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (f) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets in these financial statements are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents, loans and other receivables which are included under current financial assets.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As at 31 December 2025 and 2024, the Company has no debt instruments at FVOCI.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at 31 December 2023 and 2024, the Company has no equity instruments at FVOCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at 31 December 2025 and 2024, the Company has no financial assets at FVTPL.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

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

For cash in banks, other receivables and amounts due from/ loans to subsidiary, associate, shareholders and related undertakings, the Company applies a general approach in calculating ECLs. Therefore, the Company tracks changes in credit risk, and recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. This is being done by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Further disclosures relating to impairment of financial assets are also provided in notes 3 and 24 to the financial statements.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdraft.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 14 and 24.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

d) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company, is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. After initial recognition, investment property is carried at fair value representing open market value determined periodically. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed on a regular basis (usually every 3 years). Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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Notes to the Financial Statements for the year ended 31 December 2025

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from its future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the Company decides to dispose of an investment property without development, the Company continues to treat the property as an investment property. Similarly, if the Company begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

When the use of the property changes from property for resale to investment property at fair value, any difference between the fair value at the date of transfer and its previous carrying amount should be recognised in profit or loss.

Investment property is measured at fair value, which is the amount for which the property could be exchanged between knowledgeable willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment property should be included in profit or loss for the period in which it rises, then transferred to other reserves.

e) Investments in subsidiaries

A subsidiary is an entity that 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.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss which may have arisen. Dividends from these investments are recognised in the statement of comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

f) Investments in associates

An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is also the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates are included in the company's statement of financial position at cost less any impairment loss which may have arisen.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

g) Property for resale

Property held for resale is included in the financial statements at the lower of cost and net realisable value. Cost comprises the purchase price of acquiring the property and other costs incurred to develop the property. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

i) Taxation

The tax expense for the period comprises of current tax and deferred tax. Tax is recognised in the statement of comprehensive income, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is also dealt with in other comprehensive income or in equity, as appropriate.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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Notes to the Financial Statements for the year ended 31 December 2025

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Value Added Tax

Revenue, expenses and assets are recognised net of Value Added Tax, except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case Value Added Tax is recognised as part of the acquisition of the asset or as part of the expense item, as applicable.

- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

j) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

k) Foreign currencies

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. Monetary receivables and payables expressed in foreign currencies are translated at the rates of exchange prevailing as at the reporting date. Translation differences are dealt with through the statement of comprehensive income.

l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

m) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

i) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value (if there is any). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss/comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

o) Dividend distribution

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

p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

The following recognition criteria must also be met before revenue is recognised:

(Not within the scope of IFRS 15)

- Dividend income : It is recognised on the date the entity's right to receive income is established.
- Interest income : Interest income is accounted for when it is probable that the economic benefits associated with the transaction will flow to the company and these can be measured reliably.

- Other operating income: It is accounted for when it is probable that the economic benefits associated with the transaction will flow to the Company and these can be measured reliably.

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Notes to the Financial Statements for the year ended 31 December 2025

(Within the scope of IFRS 15)

Sale/barter of property for resale

Revenue from sale/barter of real property is recognised at the point in time when control of asset is transferred to the customer, generally upon signing of deed of sale where the customer obtains legal title to the property. Total fund is paid in full on date of deed.

q) Non-current assets held for distribution to owner

In accordance with IFRS 5, a non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners.

For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification.

Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

Non-current assets and disposal groups classified as held for distribution to owner are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

There are a number of asset categories that are excluded from measurement requirements of IFRS 5, although disclosure requirements still need to be complied with. Among these exclusions, the most relevant to the Company is "Non-current assets that are accounted for in accordance with the fair value model (IAS 40 Investment Property)" which will be subsequently measured under the same accounting policy as before the classification.

In prior year, assets classified as held for distribution to owner are presented separately as current items in the statement of financial position.

Additional disclosures are provided in note 17.

r) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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Notes to the Financial Statements for the year ended 31 December 2025

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

s) Fair value measurements and valuation processes

The Company measures financial instruments and non-financial assets such as investment property at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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Notes to the Financial Statements for the year ended 31 December 2025

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure at fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of investment property is disclosed in note 15.

3. Significant accounting judgements, estimates and assumptions

In preparing the financial statements, the directors are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the changes become known.

In the opinion of the management, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements', except as disclosed below.

Operating lease commitments - Company as lessor

The Company has entered into lease agreements on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Provision for ECL on financial assets

The measurement of the Company's ECL on cash in banks, other receivables, amounts due from/loans to subsidiary, associate, directors and related undertakings is a function of the PD, LGD and the EAD. These financial assets are measured under Stage 1 of the impairment model, and therefore ECLs are calculated on 12-month basis.

Elements of the ECL model which are considered accounting judgments and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances should be measured on a lifetime ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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Notes to the Financial Statements for the year ended 31 December 2025

It is the Company's policy to regularly review its model in the context of actual loss experience and adjust when necessary.

Fair value of investment property

The Company carries its investment property at fair value, with changes being recognised in profit or loss. This is based on market valuations performed by independent professional architect at least every three years. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of investment property is performed to reflect market conditions at the year-end date.

4. Application of New and Revised IFRS

4.1 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below:

Lack of exchangeability – Amendments to IAS 21

An entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

4.2 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7e.

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

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Notes to the Financial Statements for the year ended 31 December 2025

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The above amendments will take effect for annual reporting periods starting on or after 1 January 2026. The Company does not intend to early adopt these pronouncements. Management has reviewed the forthcoming changes and considered their relevance to the Company's operations, financial position, and reporting processes. For those standards expected to be applicable, the Company has commenced an assessment of the potential impact. At this stage, no material effects on the Company's financial statements are anticipated. Where the impact of a standard cannot yet be reasonably estimated, the Company will provide updated disclosures as the effective date approaches.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

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Notes to the Financial Statements for the year ended 31 December 2025

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements. The initial expected material impacts on Company's financial statements are, as follows:

- Rental income, change in fair value from investment properties and share of profit or an associate and a joint venture will be classified in the investing category within the statement of profit or loss.
- New disclosure will be added: (a) management-defined performance measures; (b) specified expense by nature if expenses are presented by function in the operating category of the statement of profit or loss; and (c) a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.
- Interest received and interest paid will be classified in the investing activities and financing activities, respectively, on the statement of cash flows.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027. The Company does not intend to early adopt these pronouncements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027.

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Notes to the Financial Statements for the year ended 31 December 2025

5. Rental income

	2025	2024
	€	€
Rental income	3,000,500	3,000,500

No provision for ECL on accrued income (note 18) has been recognised in 2025 and 2024.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2025	2024
	€	€
Within one year	3,000,500	3,000,500
1 - 2 years	3,000,500	3,000,500
2 - 3 years	3,000,500	3,000,500
3 - 4 years	3,000,500	3,000,500
4 - 5 years	3,000,500	3,000,500
More than five years	27,004,000	30,004,500
Total	42,006,500	45,007,000

6. Expenses by nature

Administrative expenses	2025	2024
	€	€
Rent	-	4,716
Notary fees	5,883	-
Legal and professional fees	31,986	48,690
General expense	1,002	-
Donations	500	-
Commission paid	4,307	-
Registration fee	1,400	1,400
Auditors' remuneration	3,680	3,680
	48,758	58,486

7. Other operating income

	2025	2024
	€	€
Other income	-	3,036
Profit on recognition of intangible asset	-	30,000,000
Provision for estimated credit losses	1,384,259	1,990,103
	1,384,259	31,993,139

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

8. Finance income

	2025	2024
	€	€
Interest recharged to subsidiary	918,491	1,168,403

9. Finance costs

	2025	2024
	€	€
Bank charges	13,316	45,264
Interest on bank loans	971,560	1,085,765
Other interest	980	31,300
	<u>985,856</u>	<u>1,162,329</u>

10. Income tax

10.1 Tax charge on profit on ordinary activities

	2025	2024
	€	€
<i>Income tax expense</i>		
Final withholding tax at 10%	(230,000)	-
Current tax charge	(840,140)	(912,017)
Total current tax expense	<u>(1,070,140)</u>	<u>(912,017)</u>
<i>Deferred taxation (Note 19):</i>		
Charge for year	<u>(2,754,819)</u>	<u>(713,256)</u>
Income tax charge for the year	<u>(3,824,959)</u>	<u>(1,625,273)</u>

10.2 Tax reconciliation

	2025	2024
	€	€
Profit before tax	41,381,140	61,742,175
Taxation charge thereon	14,483,399	21,609,761
<i>Tax effect of:</i>		
- expenses not allowed for tax purposes	362,115	427,285
- income taxed at different rate	840,140	840,140
- income not allowed for tax purposes	(14,845,514)	(22,021,599)
- change in the fair value of investment property	2,500,328	73,150
- provision for estimated credit losses	484,491	696,536
Income tax expense for the year	<u>3,024,959</u>	<u>1,625,273</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

10.3 Current taxation

Provision for income tax has been made at the rate of 35% on the chargeable income for the year except for proceeds from sale of property taxable at 12% final withholding tax and investment

Taxation due is made up as follows:

	2025	2024
	€	€
Balance brought forward	53,836	53,590
Current tax charge	1,070,140	912,017
Tax refund	-	246
	<u>1,123,976</u>	<u>965,853</u>
<i>Payments:</i>		
Provisional tax	(840,140)	(854,283)
Final withholding tax (10% on sale of Property)	(230,000)	(57,734)
	<u>(1,070,140)</u>	<u>(912,017)</u>
Balance carried forward	<u>53,836</u>	<u>53,836</u>

11. Equity dividends

	2025	2024
	€	€
Net dividend on ordinary shares distributed from final tax account	6,705,000	23,000,000
Total net dividends during the year	<u>6,705,000</u>	<u>23,000,000</u>
Amount of net dividend in cents per share	<u>0.11</u>	<u>0.38</u>

12. Investment in subsidiaries

	2025	2024
	€	€
Cost		
As at 1 January and 31 December	<u>509,440</u>	<u>509,440</u>
As at 31 December	<u>509,440</u>	<u>509,440</u>
Provision for impairment		
As at 1 January and 31 December	<u>7,040</u>	<u>7,040</u>
Net book amount		
As at 1 January	<u>502,400</u>	<u>502,400</u>
As at 31 December	<u>502,400</u>	<u>502,400</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

As at 31 December 2025, the Company held the following equity interest:

Undertakings / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held
ST Hotels Ltd. 143, The Strand, Gzira	500,000 Ordinary shares, of €1 each fully paid up	100%

The Company is engaged in operating hotels and hostels. It also rents out properties.

ST Properties Ltd 143, The Strand, Gzira	1,200 Ordinary shares, of €1 each fully paid up	100%
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The Company is engaged in renting out properties.

ST Group Investments Ltd 143, The Strand, Gzira GZR1026	1,200 Ordinary shares, of €1 each fully paid up	100%
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The Company is engaged in holding investments

13. Investment in associates

	2025 €	2024 €
Cost		
As at 31 December	240	240

As at 31 December 2025, the Company held the following equity interest:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held
Civala Limited Vincenti Buildings, 25/25 Strait Street Valletta VLT 1432	600 'B' Ordinary shares, of €1 each 20% paid up	50%

The Company has been principally engaged to acquire and hold assets of whatsoever nature, whether movable or immovable, corporal or incorporeal, whether by way of title, real or personal, or on behalf of others.

Platinum Developments Ltd 143, The Strand, Gzira GZR 1026	600 Ordinary shares, of €1 each 20% paid up	50%
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The Company is principally engaged to act as building developers, contractors, designers and ancillary services to building industry.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

14. Financial assets and financial liabilities

14.1 Financial assets

	2025	2024
	€	€
Debt instruments measured at amortised cost:		
<i>Other financial assets (Loans receivable)</i>		
Loans to subsidiary undertaking	130,245,236	121,056,992
Loans to associate undertaking	5,610,830	5,609,110
Loans to related undertakings	3,312,930	7,261,662
Loans to parent undertaking	(10,979,874)	(8,005,197)
less allowance for expected credit losses:		
Loans to subsidiary undertaking	(1,869,152)	(3,402,038)
Loans to associate undertaking	(271,207)	(276,857)
Loans to related undertakings	(1,192,619)	(1,144,333)
Loans to parent undertaking	-	(2)
Total other financial assets	<u>124,856,144</u>	<u>121,099,337</u>
Other receivables (note 18)	2,773,468	772,459
Total debt instruments at amortised cost	<u>127,629,612</u>	<u>121,871,796</u>

Loans receivable

As at 31 December 2024 and 2025, the loans receivable from subsidiary, associate, related and parent undertakings are unsecured, interest-free and repayable on demand.

The Company's exposure to credit risk related to these financial assets is disclosed in note 24. As at the reporting date, these financial assets were fully performing and hence do not contain impaired assets. However, due to the implementation of IFRS 9, the assets are measured at amortised cost and estimated credit losses have to be calculated.

14.2 Financial liabilities: Loans and borrowing

	Interest rate	Maturity	2025	2024
			€	€
Current loans and borrowings				
Bank overdraft (note 23)	5%	on demand	-	83,598
Bank loan (note 24)	2% - 4.538%	2024	2,643,084	3,407,629
Loans from subsidiary undertaking	interest free	on demand	8,866,590	4,474,929
Total current borrowings			<u>11,509,674</u>	<u>7,966,156</u>
Non-current loans and borrowings				
Bank loan (note 24)	2% - 4.538%	2026 - 2038	16,754,967	18,719,285
Total non-current borrowings			<u>16,754,967</u>	<u>18,719,285</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Other financial liabilities at amortised cost, other than loans and borrowings

	2025	2024
	€	€
Trade and other payables (note 19)	253,960	255,415

The bank overdraft bears annual interest at 5% (2024: 5%) per annum and is repayable on demand.

The bank loan comprise of a bank loan and a bank interest loan with terms as follows.

The bank loan is secured by a general hypothec over the Company's assets, by a special hypothec over properties in Msida, Gzira and Sliema, and by personal guarantees of the ultimate beneficial owners, by pledges on various insurance policies and by various letter of undertaking by directors and shareholders. A moratorium of repayment of capital and interest was allowed for the first 12 months up to March 2021. Repayments were resumed in April 2021 and will amount to monthly installment of €68,102 inclusive of interest, until October 2035. It bears interest of 4% (2024: 4%) per annum.

The bank interest loan (included in bank loan) bears no interest and is repayable at monthly installment of €3,052 inclusive of interest from March 2021 and to be repaid in full by April 2026.

As at 31 December 2025 and 2024, the loans payable to subsidiary undertakings are interest-free, unsecured and repayable on demand.

	2025	2024
	€	€
Loans and receivables:		
Loans to subsidiary undertakings	128,376,084	117,654,954
Loans to associated undertakings	5,339,623	5,332,253
Loans to parent undertakings	(10,979,874)	(8,005,199)
Loans to related undertakings	2,120,311	6,117,329
Total loans and receivables	124,856,144	121,099,337

15. Investment property

	2025	2024
	€	€
Valuation		
As at January 1	355,192,670	352,558,968
Additions (subsequent expenditure)	1,463,783	4,224,702
Change in fair value due to revaluation	18,697,423	209,000
Transfer to property for resale (note 16)	-	(1,800,000)
As at 31 December	375,353,876	355,192,670

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

	2025	2024
	€	€
Rental income derived from investment properties	3,000,500	3,000,500

Fair value measurement of the Company's investment properties

Market valuations are performed by independent professional architects every two years or earlier whenever their fair values differ materially from their carrying amounts. In the year when a market valuation is not performed, an assessment of the fair value is performed to reflect market conditions at the year-end date.

On 31 December 2025 an independent valuation of the Company's investment properties, by independent external valuers having experience in the location and type of property to determine the fair value as at 31 December 2025. The fair value movement was credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2025, management assessed whether there are any significant changes to the significant inputs of the valuation.

The Company's investment properties consist mainly of residential, commercial and office buildings with a carrying amount of €85,338,565 (2024: €84,253,235), had these assets been carried at cost less accumulated depreciation. The investment property has been categorised to fall within level 2 and 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in note 24. The Company policy is to recognise transfers into and out of fair value hierarchy levels as of date of the event of change in circumstances that caused the transfer. There were no transfers between levels during the year. For all properties, their current use equates to the highest and best use. For all properties, their current use equates to the highest and best use.

Fair value hierarchy disclosures for investment properties are disclosed in note 24.

Reconciliation of fair value:

	Offices	Commercial	Residential	Total
As at 1 January 2024	59,660,818	172,784,205	120,113,945	352,558,968
Additions	-	64,101	4,160,601	4,224,702
Transfer to property for resale (note 16)	-	-	(1,800,000)	(1,800,000)
Fair value change recognised in profit or loss	-	-	209,000	209,000
As at 31 December 2024	59,660,818	172,848,306	122,683,546	355,192,670
Additions	-	-	1,463,783	1,463,783
Fair value change recognised in profit or loss	6,000,000	36,200,999	3,082,000	45,282,999
As at 31 December 2025	65,660,818	209,049,305	127,229,329	401,939,452

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

For investment properties categorised under Level 2 of the fair value hierarchy in current and prior year, the following techniques and inputs were used:

Type of property	Technique	Inputs
Commercial properties	Market approach	Value of the properties are based on the selling price of similar types of properties.
Residential properties	Market approach	
Office properties	Market approach	

16. Property for resale

Cost	2025	2024
	€	€
As at 1 January	4,235,816	2,919,629
Transfer from investment property (note 15)	-	1,800,000
Disposals	(1,799,999)	(483,813)
As at 31 December	<u>2,435,817</u>	<u>4,235,816</u>

In 2025, the Company sold properties for resale costing €1,799,999, for a sale value consideration of €2,300,000. The profit from these transactions were shown in the statement of profit or loss and other comprehensive income.

17. Other receivables

Current receivables	2025	2024
	€	€
Amounts owed by subsidiary undertakings	2,475,629	2,474,425
Provisional payment on dividend payable to UBO's	2,366,127	-
Loans to third undertaking	142,220	153,853
less allowance for expected credit losses:		
Amounts owed by subsidiary undertakings	(2,186,847)	(1,855,819)
Provisional payment on dividend payable to UBO's	(23,661)	-
Receivables net of ECL	2,773,468	772,459
Other receivables	126,436	126,436
Advance deposits on purchase of properties	441,200	490,350
Total current receivables	<u>3,341,104</u>	<u>1,389,245</u>

The amounts owed by subsidiary and directors are unsecured, interest free and repayable on demand.

Set out below is the movement in the allowance for expected credit losses of trade, other and related receivables:

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

As at 31 December 2025

	Subsidiary undertakings	Impairment on		Total
		Provisional payment on dividend payable to UBO's	Loans to third undertaking	
	€			€
As at 1 January	1,855,819	-	-	1,855,819
Movement during the year				
Provision for estimated credit losses	2,186,847	23,661	-	2,210,508
Reversal of impairment loss	(1,855,819)	-	-	(1,855,819)
Movement during the year	331,028	23,661	-	354,689
As at 31 December	2,186,847	23,661	-	2,210,508

As at 31 December 2024

	Subsidiary undertakings	Impairment on		Total
		Provisional payment on dividend payable to UBO's	Loans to third undertaking	
	€	€	€	€
As at 1 January	1,854,739	82,419	-	1,937,158
Movement during the year				
Provision for estimated credit losses	1,855,819	-	-	1,855,819
Reversal of impairment loss	(1,854,739)	(82,419)	-	(1,937,158)
Movement during the year	1,080	(82,419)	-	(81,339)
As at 31 December	1,855,819	-	-	1,855,819

For more information about the Company's exposure to credit risks, refer to note 24.

18. Trade and other payables

	2025	2024
	€	€
Current liabilities		
Trade payables	247,350	249,365
Deposit on sale of property	90,000	320,000
Indirect taxes	715,227	7,285,040
Accruals	6,610	6,050
Total trade and other payables	1,059,187	7,860,455

Trade and other payables are unsecured and non-interest bearing.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 24.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

19. Deferred taxation

	2025 €	2024 €
Deferred tax asset		
As at 1 January	2,425,568	3,122,104
Credit in the statement of profit/loss and comprehensive income (note 11)	(1,259,025)	(696,536)
As at 31 December	<u>1,166,543</u>	<u>2,425,568</u>

The deferred tax assets are attributable to the following:

	2025 €	2024 €
Tax effect of temporary differences relating to:		
Provision for estimated credit losses	<u>1,166,543</u>	<u>2,425,567</u>

	2025 €	2024 €
Deferred tax liability		
As at 1 January	28,606,355	28,589,635
Charge in the statement of profit/loss and comprehensive income (note 11)	1,495,794	16,720
As at 31 December	<u>30,102,149</u>	<u>28,606,355</u>

The deferred tax liability is attributable to the following:

	2025 €	2024 €
Tax effect of temporary differences relating to:		
Asset revaluations	<u>30,102,149</u>	<u>28,606,355</u>

20. Share Capital

	2025 €	2024 €
Authorised:		
4,872 (2024 : 4,896) Ordinary shares of €1 each	4,872	4,872
45,000,000 Redeemable A Preference shares of €1 each	45,000,000	45,000,000
15,000,000 Redeemable B Preference shares of €1 each	15,000,000	15,000,000
	<u>60,004,872</u>	<u>60,004,872</u>

	2025 €	2024 €
Issued and fully called-up:		
4,872 (2024 : 4,896) Ordinary shares of €1 each	4,872	4,872
45,000,000 Redeemable A Preference shares of €1 each	45,000,000	45,000,000
15,000,000 Redeemable B Preference shares of €1 each	15,000,000	15,000,000
	<u>60,004,872</u>	<u>60,004,872</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Each ordinary share gives the right to one vote, participates equally in profits distributed by the company and carries equal rights upon distribution of assets by the company in the event of winding up.

The redeemable preference shareholders have no voting rights.

21. Other reserve

	2025 €	2024 €
As at 1 January	254,563,694	254,371,414
Transfer from retained earnings	17,201,629	192,280
As at 31 December	<u>271,765,323</u>	<u>254,563,694</u>

This reserve represents changes in fair value of investment properties, net of deferred tax, which are unrealised at the reporting date. These amounts are transferred from retained earnings to this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred back to retained earnings. This reserve is a non-distributable reserve.

22. Cash and cash equivalents

The cash and cash equivalents comprise the following statement of financial position amounts:

	2025 €	2024 €
Cash at banks	5,741,929	1,426,240
Bank overdraft (note 14.2)	-	(83,598)
Cash and cash equivalents	<u>5,741,929</u>	<u>1,342,642</u>
Allowance for expected credit losses	(2,448)	(409)
Cash and cash equivalents, net of expected credit loss	<u>5,739,481</u>	<u>1,342,233</u>

For more information about the Company's exposure to credit risks, refer to note 24.

23. Financial risk management objectives and policies

The Company's principal financial assets comprise of loans and other receivables and cash and cash equivalents. Its principal financial liabilities comprise trade and other payables and loans and borrowings.

The Company is exposed to a variety of financial risks: market risk, credit risk, liquidity risk and fair value risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include loans and borrowings. The Company is only exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk is limited to the variable interest rates on bank overdraft and bank loans. Based on observations of current market conditions, the directors consider an upward or downward movement in interest of 1% to be reasonable possible. However, the potential impact of such movement is considered immaterial. Except as for the terms disclosed in note 14 regarding interest bearing loans, the Company's financial assets and liabilities are generally non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations on the prevailing levels of market interest rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks. The carrying amount of these financial assets represents the maximum credit exposures.

Customer credit risk is managed by the Company's management subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each individual's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at the reporting date on an individual basis. The Company exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

The Company banks only with local financial institutions with high quality standard or rating. The Company's operations are principally carried out in Malta and all the Company's revenue originates from clients based in Malta.

The following details the risk profile of other receivables, amounts due from/loans to subsidiary, associate, directors and related undertaking and cash in banks.

The measurement of the Company's ECL on these financial assets is a function of the Probability of Default (PD), Loss Given Default (LGD) and the Estimated amount at Default (EAD) (see note 3).

Carmelo Stivala Group Limited

23. Financial risk management objectives and policies (continued)

Set out below is the information about the credit risk exposure on the Company's financial assets:

As at 31 December 2025

	Loans to subsidiary undertaking	Loans to associate undertaking	Loans to related undertakings	Loans to parent undertakings	Amounts owed by subsidiary undertakings	payment on dividend payable to UBO's	Accrued income	Cash at banks	Total
	€	€	€	€	€	€	€	€	€
Approach in measuring ECL	General	General	General	General	General	General	General	General	
Probability of default (%)	4.84 - 100.00	4.84 - 100.00	50.00 - 100.00	0.30	75.00	1.00	1.34	0.06	
Loss given default (%)	47.32- 100.00	100.00	100.00	100.00	100.00	100.00	100.00	45.00	
Estimated gross carrying amount at default (€)	130,245,236	5,610,830	3,312,930	(10,979,874)	2,475,629	2,366,127	-	5,741,929	138,772,807
Estimated credit loss (notes 14.1 and 18)	(1,869,152)	(271,207)	(1,192,619)	-	(2,186,847)	(23,661)	-	(2,448)	(5,545,934)

As at 31 December 2024

	Loans to subsidiary undertaking	Loans to associate undertaking	Loans to related undertakings	Loans to parent undertakings	Amounts owed by subsidiary undertakings	Provisional payment on dividend payable to UBO's	Accrued income	Cash at banks	Total
	€	€	€	€	€	€	€	€	€
Approach in measuring ECL	General	General	General	General	General	General	General	General	
Probability of default (%)	4.84 - 100.00	4.84 - 100.00	50.00 - 100.00	0.30	75.00	1.00	1.34	0.06	
Loss given default (%)	47.32- 100.00	100.00	100.00	100.00	100.00	100.00	100.00	45.00	
Estimated gross carrying amount at default (€)	121,056,992	5,609,110	7,261,662	(8,005,197)	2,474,425	-	-	1,426,240	129,823,232
Estimated credit loss (notes 14.1 and 18)	(3,402,038)	(276,857)	(1,144,333)	(2)	(1,855,819)	-	-	(409)	(6,679,458)

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31 December 2025

	Less than 1 year	1 to 5 years	>5 years	Total
Bank loans (note 14.2)	4,281,264	12,228,439	11,130,216	27,639,919
Trade and other payables (note 19)	969,187	-	-	969,187
Loans from subsidiary undertakings (note 14.2)	8,866,590	-	-	8,866,590
	<u>14,117,041</u>	<u>12,228,439</u>	<u>11,130,216</u>	<u>37,475,696</u>

As at 31 December 2024

	Less than 1 year	1 to 5 years	>5 years	Total
Bank overdraft (note 14.2)	83,598	-	-	83,598
Bank loans (note 14.2)	4,281,264	12,228,439	11,130,216	27,639,919
Trade and other payables (note 19)	7,540,455	-	-	7,540,455
Loans from subsidiary undertakings (note 14.2)	4,474,929	-	-	4,474,929
	<u>16,380,246</u>	<u>12,228,439</u>	<u>11,130,216</u>	<u>39,738,901</u>

The below table shows gross undiscounted cash flows for bank loans. The following shows the corresponding reconciliation of those amounts to the carrying amount:

As at 31 December 2025

	Gross payments	Finance charges	Net Present Values
Within 1 year	4,281,264	873,635	3,407,629
1 - 5 years	12,228,439	2,903,156	9,325,283
Over 5 years	11,130,216	1,736,214	9,394,002
	<u>27,639,919</u>	<u>5,513,005</u>	<u>19,398,051</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

As at 31 December 2024

	Gross payments	Finance charges	Net Present Values
Within 1 year	4,281,264	873,635	3,407,629
1 - 5 years	12,228,439	2,903,156	9,325,283
Over 5 years	11,130,216	1,736,214	9,394,002
	<u>27,639,919</u>	<u>5,513,005</u>	<u>22,126,914</u>

Fair value risk

As at 31 December 2024 and 2025, the carrying amounts of other financial assets, other receivables, cash and cash equivalents, current borrowings and trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of non-current borrowings (note 14.2) are not materially different from their carrying amounts in the statement of financial position.

The investment properties are categorised under level 2 and 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined as follows:

Level 1: quoted (unadjusted) process 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; and

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

The following table provides the fair value measurement hierarchy of the Company's assets:

As at 31 December 2025

<i>Types of property</i>	Level 2	Level 3	Additions	Total
Commercial property	209,049,305	-	-	209,049,305
Residential property	125,765,546	-	1,463,783	127,229,329
Offices	65,660,818	-	-	65,660,818
Total	<u>400,475,669</u>	<u>-</u>	<u>1,463,783</u>	<u>401,939,452</u>

As at 31 December 2024

<i>Types of property</i>	Level 2	Level 3	Additions	Total
Commercial property	172,784,205	-	64,101	172,848,306
Residential property	118,522,945	-	4,160,601	122,683,546
Offices	59,660,818	-	-	59,660,818
Total	<u>350,967,968</u>	<u>-</u>	<u>4,224,702</u>	<u>355,192,670</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

Capital risk management

Capital includes the equity attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

	2025 €	2024 €
Loans and borrowings	19,398,051	22,126,914
Trade and other payables	1,059,187	7,860,455
Less: cash in banks and at hand	(5,741,929)	(1,426,240)
Net debt	<u>14,715,309</u>	<u>28,561,129</u>
Equity	453,915,792	423,064,611
Net debt to equity ratio	<u>0.04:1</u>	<u>0.03:1</u>

24. Supplemental cash flow information

Changes in liabilities arising from financing activities

	Non Cash Changes			
	1 January 2025	Cash flows	Re- classification	31 December 2025
Bank overdraft (note 15.2)	83,598	(83,598)	-	-
Bank loans (note 14.2)	22,126,914	(2,728,863)	-	19,398,051
Loans from subsidiary undertakings (note 14.2)	4,474,929	22,306,742	(17,915,081)	8,866,590
Loans to/from parent undertakings (notes 14.1 and 14.2)	8,005,197	2,974,677	-	10,979,874
Total liabilities from financing activities	<u>34,690,638</u>	<u>22,468,958</u>	<u>(17,915,081)</u>	<u>39,244,515</u>

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

	Non Cash Changes			
	1 January 2024	Cash flows	Re- classification	31 December 2024
Bank overdraft (note 15.2)	962,498	(962,498)	-	83,598
Bank loans (note 14.2)	19,155,447	2,971,467	-	22,126,914
Loans from subsidiary undertakings (note 14.2)	4,944,080	25,664,331	(26,133,482)	4,474,929
Loans to parent undertakings (notes 14.1 and 14.2)	(377,571)	8,382,768		8,005,197
Total liabilities from financing activities	24,684,454	36,056,068	(26,133,482)	34,690,638

25. Contingent liabilities

The Company acts as guarantor in favour of the bonds issued by Stivala Group Finance plc amounting to €60,000,000. The Company is engaged in a few legal proceedings. As at approval date of these financial statements, it is difficult to predict exposures of the Company; hence no provision has been made in the financial statements accordingly.

Furthermore, the company has €34,750,000 worth of securities in place on loans and guarantees.

26. Events after the reporting period

All events occurring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as at 31 December 2025 for the Company are included in these financial statements.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

27. Related party transactions

(a) Related party relationships

		Relationship
Stivala Group Finance plc	(C 82218)	Ultimate parent company

The following companies and Carmelo Stivala Group Limited are related by virtue of being controlled and significantly influenced by Carmelo Stivala Group Limited.

		Percentage of shares held by	
		Carmelo Stivala Group Limited	Group Limited
		2025	2024
		%	%
ST Hotels Ltd.	(C 78678)	100	100
ST Properties Ltd	(C 78261)	100	100
ST Group Investments Ltd	(C 107332)	100	100
Stivala Properties Ltd	(C 51411)	-	-
Stivala Operators Limited	(C 23860)	-	-
Civala Limited	(C 66336)	50	50
Platinum Developments Ltd	(C 70581)	50	50

The following companies and ST Hotels Ltd. are related by virtue of common director.

North Harbour Ltd	(C 83667)
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(b) During the year, the following transactions were conducted with related parties:

	2025	2024
	€	€
Transactions with subsidiaries:		
Interest recharged to	918,491	1,168,403
Rent receivable from	3,000,500	3,000,500
Dividends receivable from	17,915,081	26,133,482
Dividends payable to parent undertaking	6,705,000	23,000,000

Outstanding balances at year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2025, the Company recorded impairment of receivables relating to amounts due from/loans to subsidiary, associate, parent and related undertakings in the form of estimated credit losses disclosed in notes 14, 18 and 24, in compliance with IFRS 9. This assessment will be undertaken each financial year through examining the financial position of the related companies and the market in which the related company operates together with other historical data on recovery of amounts due.

Carmelo Stivala Group Limited

Notes to the Financial Statements for the year ended 31 December 2025

28. Ultimate controlling party

The Company's immediate and ultimate parent company is Stivala Group Finance plc, who owns 100% of the Company's issued ordinary and preference share capital. The parent company's registered office is ST Group Head Office, Novotel Hotel, Level 2, 60 Triq Sir Frederick C. Ponsonby, Gzira, GZR 1070, Malta. The parent company's share capital is fully owned by Carmelo Stivala Trustee Limited acting as a trustee, on behalf of the ultimate beneficial owners which are Mr. Michael Stivala, Mr. Ivan Stivala and Martin John Stivala.