Company Registration No.: C 96013

# BCRS MALTA LIMITED

**Annual Report**
**and**
**Financial Statements**

**31 December 2023**

## CONTENTS

## GENERAL INFORMATION

### Registration

BCRS Malta Limited is registered in Malta as a limited liability company under the Maltese Companies Act (Cap. 386) with company registration number C 96013.

### Directors

| | |
|---|---|
| Maria Micallef | |
| Norman Aquilina | |
| Jeremy Cassar | |
| Michael Darmanin | |
| Giuliana Isolani | |
| Paul Abela | |
| Raymond Mintoff | |
| Malcolm Camilleri | (resigned on 02 March 2024) |
| Dennis Zammit Cutajar | (resigned on 26 June 2023) |
| Sarah Zammit Cutajar | (appointed on 26 June 2023) |

### Company secretary

TCV Management and Trust Services Limited

### Registered office and principal place of business

BCRS Clearing Centre, HHF 406
Hal Far Industrial Park, Hal Far
Birzebbugia
Malta

### Bankers

Bank of Valletta p.l.c.
58, Zachary Street
Valletta VLT 1130
Malta

Trust Payments (Malta) Ltd
Ewropa Business Centre
Triq Dun Karm
Birkirkara BKR 9034
Malta

### Auditor

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

## DIRECTORS' REPORT

The directors present the annual report and the audited financial statements of BCRS Malta Limited ("the Company") for the year ended 31 December 2023.

### General information

The Company was incorporated on 11 August 2020 on a not-for profit basis as included within the memorandum and articles of association, with the ordinary shareholders being three purposely setup Associations representing the stakeholders within the beverage industry, namely, the Malta Beverage Producers Association, the Malta Beverage Importers Association, and the Malta Beverage Retailers Association. The shareholding amongst the three Associations is split equally with each Association having three hundred and eighty-nine shares each at a nominal value of €1 each. The statutes of each Association ensure adequate representation of both larger and smaller market participants. Each Association has three Directors appointed on the BCRS Board of Directors to ascertain fair representation.

The strategy for the implementation of the Beverage Container Refund Scheme (BCRS), as a Deposit Return System (DRS) in Malta, including the model underpinning its operation and beverages in scope, was established and subsequently defined amid consultations with various stakeholders. The model for the Scheme was developed following review of similar successful Schemes launched in twelve other jurisdictions across Europe. Following the approval of the Beverage Containers Recycling Regulations (L.N. 311 of 2020 as subsequently amended) by the European Commission, the Company was granted by Government a 12-year licence to operate the Scheme in full compliance of Regulation 4 of the Beverage Containers Recycling Regulations. The beverages that form part of the Scheme include:

- water and flavoured water;
- non-carbonated soft drinks;
- carbonated soft drinks;
- ciders, beers and other malt beverages;
- ready to drink coffee;
- flavoured alcoholic beverages having an alcoholic content level which does not exceed 5%; and
- dilutables.

On the 16th of December 2024, the European Union formally adopted the comprehensive Packaging and Packaging Waste Regulation (PPWR) with the following key objectives:

- Reducing Packaging Waste: Minimizing unnecessary packaging and promoting reusable designs.
- Increasing Recycling: Ensuring all packaging is recyclable or reusable by 2030 with stricter recycling targets.
- Sustainable Materials: Encouraging biodegradable and eco-friendly materials.

## DIRECTORS' REPORT - continued

### General information - continued

- Deposit Return Systems (DRS) will be mandated in every member state, where not already in operation, to improve collection and recycling rates unless collection and recycling targets per material are being achieved: Mandating a DRS (like BCRS) "specifically for all single use plastic beverage bottles and metal beverage containers. Member states can also decide to include other packaging for other products or made of other materials in those systems in particular single use glass bottles."

- Clear Labelling: Improving disposal guidance and placing accountability on producers through Extended Producer Responsibility (EPR).

### Principal activity

The principal activity of the Company as per the Memorandum and Articles of Association is to carry out on a not-for-profit basis, waste management involving the development, setting up and management of a system applying on a nationwide basis in the Maltese islands, for the return and recycling of used plastic/PET, aluminium/metal and glass one-way containers of beer, soft drinks, water and other beverages and related activities, inter alia, activities relating to the production, marketing, use and recycling of containers in order to reduce the impact of waste on the environment, such activities being consistent with and in pursuance of any scheme that may apply in terms of any legislation relating to beverage container recycling. Furthermore, the Company operates on a lowest-cost principle to ascertain the most effective and efficient use of its resources.

The objectives of the Company, in accordance with the principles of operating within a circular economy, include:

a) To reach Environmental targets in line with national and EU environmental regulations with respect to both collection and recycling of post-consumer single use beverage containers, as evidenced by recycling certificates received from authorised recycling companies within Europe.

b) Reduce beverage containers littering across the Maltese Islands.

c) Provide a reliable supply of high-grade recycled material closing the life cycle of Single-Use Beverage Containers made of Plastic, Metal and Glass based on Circular Economy Principles.

d) Ensuring not-for-profit and lowest cost principles are adopted within the business model.

### Performance Review

*Key Highlights*

1. **Container Collection and Recycling:**
   - The target collection rate for 2023 was set at 70% as established by Subsidiary Legislation 549.134 ("Beverage Containers Recycling Regulations"). For the year under review, BCRS achieved an 80% collection rate in aggregate of beverage containers that are within the scope of the scheme as follows:
     - 75% Glass
     - 81% PET
     - 80% Can
   - In numerical terms, BCRS collected 214 million containers of what has been placed on the market.

## DIRECTORS' REPORT - continued

### Performance Review - continued

*Key Highlights - continued*

1. **Container Collection and Recycling - continued:**
   - During the year under review, 10,000 tonnes of material was exported to approved recyclers and furthermore formally certified to have been duly recycled.
   - The level of collection and recycling reflect the commitment of consumers, retailers, and stakeholders to environmental stewardship.

2. **Infrastructure Expansion:**
   - BCRS expanded its network of reverse vending machines (RVMs) by investing a further Eur2.5m, ensuring convenient return options for consumers.
   - These included the deployment of fast bulk feed reverse vending machines, known as quantum machines, in eight locations at Bulebel in Zejtun, Ta' Qali, Luxol Grounds, San Gwann, Mellieha, Marsa, Hal Far and Kirkop. A bulk feed machine was installed in Gozo during Q4 of 2024.
   - As at today, a total of 351 RVM machines have been deployed over Malta and Gozo split between Public Locations and Retail Outlets

3. **Consumer Engagement:**
   - An average of 85% was observed for machine uptime in 2023 between 07:00 and 21:00 (Public RVMs 88% and Retail RVMs 83%). 8% of the downtime (Public RVMs 5% and Retail RVMs 11%) was attributed to Bin Full, and 7% was caused by technical problems (Public RVMs 7% and Retail RVMs 6%). The average downtime was 15%.
   - As of 1st December 2023, Public Machines that are close to residential areas started to operate for public use between 6am and 10pm.
   - The "Silver-T" scheme is now able to offer free transport to senior citizens throughout the entirety of Malta and Gozo thanks to a donation of six electric cars from BCRS during 2023. The Government's department of Active Ageing and Community Care and BCRS have partnered to enable Silver-T to help seniors citizens return empty beverage containers and get their deposit value back at any BCRS RVMs or nearby businesses taking part in the manual collection scheme.

4. **Fraud and Enforcement:**

   Notwithstanding the positive achievements of the scheme in terms of collection and recycling rates, it remains vulnerable to fraud, particularly through no and/or under-declarations by producers and importers who fail to accurately report the quantity of beverage containers placed on the market. This malpractice results in an underpayment of administration and deposit fees, which deposit is still being refunded to consumers, weakens the financial foundation of the system and creates unfair competition for compliant businesses.

## DIRECTORS' REPORT - continued

### Performance Review - continued

*Key Highlights - continued*

4. **Fraud and Enforcement - continued:**

   BCRS had reached an agreement with Authorities on a considerably higher licence fee, when compared to other locally licensed waste packaging recovery schemes, to ensure robust and effective enforcement by the relevant authorities to address these malpractices through regular audits, data verification and cross-checks among other measures. BCRS strongly believes more can be done to improve effective enforcement and will continue to collaborate closely with the Authorities, given the still prevalent malpractices being observed, to ensure that the required level of enforcement is attained by the purposely set-up regulator and other enforcement authorities. This is required to safeguard the integrity and sustainability of the Scheme while ensuring it operates effectively to meet environmental targets in the longer term.

### Results

The results for the year are set out in the income statement on page 14. In line with the Subsidiary Legislation 549.134 ("Beverage Containers Recycling Regulations") and because of the Company being run on a not-for-profit and no-dividend policy basis as per memorandum and articles of association, no portion of income of the Company may be distributed by way of dividends or otherwise howsoever to its shareholders. The balance of accumulated losses amounting to €2,989,908 (2022: €1,818,301) is to be carried forward to the next financial year.

### Financial performance review

Setup solely through bank and private funding, during the year under review, the Company registered a loss before tax of €1,313,558 (2022: €1,403,607).

The fact that the Company managed to achieve a collection rate of 80% compared to the target collection rate of 70%, inevitably had a significant negative impact on the operating results of the Company as it gave rise to a significantly higher level of redemptions (and hence higher costs) than originally envisaged.

Notwithstanding the significantly higher collection rates, the Company chose to carry the loss and delay the increase in administration fees to a later date, when the scheme would be approaching its peak level of redemptions.

Furthermore, notwithstanding the losses incurred, the nature and timing of the Company's cashflows has enabled it to continue to meet all its commitments in the normal course of business. Included in the reported loss before tax for the year of €1.31 million (2022: €1.4m), is a depreciation expense of €2.14m (2022: €0.23m).

The financial model underpinning the scheme operated by the Company is dependent on the management and collection of administration fees levied on producers and importers who place their products on the market, and sale of material together with effective cost control and efficient enforcement.

## DIRECTORS' REPORT - continued

### Going Concern

During the year ended 31 December 2023, the Company registered a loss before tax of €1,313,558 (2022: €1,403,607), and as of that date, the Company's current liabilities exceeded its current assets by €3,919,552 (2022: €4,119,557). The Company is in a net liability position of €2,988,741 (2022: €1,024,106). During 2024, the Company registered similar losses (unaudited) as FY 2023. The cash generated from operations for the year amounted to €5,294,859 (2022: €3,940,328).

As explained above, the nature of how the scheme operates dictates that administration fees are used as the primary medium to ensure that the total costs of operating the scheme are recovered in full. After reviewing the financial results of 2022, 2023 and 2024 (unaudited), the Board of Directors resolved to increase the administration fee as from 1 February 2025. The increase will enable the Company to operate at sustainable levels allowing the Company to recover its initial losses in full over the remaining term of the concession.

Following the increase in the administrative fees, forecasts prepared by management show surplus levels and cash generation that indicate that the Company will be able to honour its obligations as and when they fall due. Furthermore, the financial model underpinning the scheme operated by the Company is such that all excess costs over income are to be recouped through the administration fees levied to the producers and importers who place their products on the market. Therefore, while the Company will continue to challenge and streamline its costs wherever possible, should it not recover the total costs, a further review in the administration fee may be necessary.

The forecasts also indicate that any future capital expenditure would require external funding, apart from income arising from administrative fees.

Accordingly, the Board of Directors has concluded that there is no material uncertainty in respect of going concern and based on the foregoing the Directors believe that it is appropriate to prepare these financial statements on a going concern basis. Reference should also be made to Note 2 to the financial statements.

### Post balance sheet events

On the 27 December 2024, the Company duly informed all producers and importers that the administration fees would be increasing as of 1 February 2025. The planned increases will enable the Company to operate effectively and would also allow the Company to partially recover its initial losses over the remaining term of the concession. Concurrently, the Company is also committed to further implement cost reduction measures where applicable alongside further pursuing its ongoing and determined efforts for adequate enforcement.

Except for the above point, there are no material events after the balance sheet date which require mention in this report except as disclosed in Note 22.

### Future developments

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

### Principal risks and uncertainties

*Macro economic environment*

During 2023, the levels of economic uncertainty were exacerbated by the continued geopolitical developments driven by the military conflict between Russia and Ukraine. These conditions triggered new spiralling inflationary pressures across the world and pushed central banks to increase interest rates to manage demand with a view to curb inflation. In March 2023, the international financial sector was hit by several adverse developments in the banking industry which compounded the levels of economic uncertainty. Considering the above, the Company continues to monitor its cash flow projections to assess the effect of the unfolding economic developments on its operations. The directors intend to continue to operate in line with the current line of business.

## DIRECTORS' REPORT - continued

### Financial risk management

The Company's activities expose it to a variety of financial risks such as credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge certain risk exposure during the current and preceding financial statements.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of trade and other receivables, and cash at bank.

The credit risk with respect to trade receivables is monitored continuously and the Company places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Company has no significant concentration of credit risk whether through exposure to individual customers, specific industry or regions.

The credit risk relating to cash at bank is considered to be low in view of management's policy of placing it in a reputable financial institution.

*Liquidity risk*

The Company's financial liabilities are all due within the next 12 months with exception of bank loans and loans due to preference shareholders which are due and repaid as disclosed in Note 17.

### Directors

The directors of the Company who held office during the year are as listed on page 2.

In accordance with the Company's Memorandum and Articles of Association, the present directors remain in office.

### Statement of directors' responsibilities for the financial statements

The Companies Act (Cap. 386), enacted in Malta, requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss for that year.

In preparing the financial statements, the directors are responsible for:

- adopting the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern;
- selecting suitable accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable and prudent;
- accounting for income and charges relating to the accounting period on accrual basis;
- valuing separately the components of asset and liability items;
- reporting comparative figures corresponding to those of the preceding accounting period; and
- preparing the financial statements in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME").

## DIRECTORS' REPORT - continued

### Statement of directors' responsibilities for the financial statements - continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable the directors to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

RSM Malta, Registered Auditors, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors and duly signed on its behalf by:

| | | |
|---|---|---|
| **Norman Aquilina**<br>Director<br>Malta Beverage Producers Association | **Michael Darmanin**<br>Director<br>Malta Beverage Importers Association | **Paul Abela**<br>Director<br>Malta Beverage Retailers Association |

15 January 2025

RSM

**RSM Malta**

Mdina Road,
Ħaż-Żebbuġ, Malta
ZBG 9015

T: +356 2278 7000

www.rsm.com.mt

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BCRS Malta Limited

### Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of BCRS Malta Limited ("the Company"), set out on pages 14 to 33, which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"), and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

### Basis for Opinion

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

RSM

**INDEPENDENT AUDITOR'S REPORT - continued**

To the Shareholders of BCRS Malta Limited

**Report on the Audit of the Financial Statements - continued**

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 to these financial statements concerning the matters taken into consideration by the directors in applying the going concern basis in preparing these financial statements.

**Other Information**

The directors are responsible for the other information. The other information comprises the general information and the directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, 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 identified above 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. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Maltese Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386);
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

**Responsibilities of the Directors for the Financial Statements**

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

**INDEPENDENT AUDITOR'S REPORT - continued**

To the Shareholders of BCRS Malta Limited

**Report on the Audit of the Financial Statements - continued**

**Responsibilities of the Directors for the Financial Statements - continued**

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 but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT - continued**

To the Shareholders of BCRS Malta Limited

**Report on the Audit of the Financial Statements - continued**

**Auditor's Responsibilities for the Audit of the Financial Statements - continued**

- 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.

**Report on Other Legal and Regulatory Requirements**

Pursuant to Articles 179(10) and 179(11) of the Maltese Companies Act (Cap. 386), we are required to report to you if in our opinion:

- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches we have not visited; or
- the financial statements are not in agreement with the accounting records and returns; or
- we were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

*This copy of the audit report has been signed by*

Conrad Borg *(Principal)*

*for and on behalf of*

RSM Malta

Registered Auditor

15 January 2025

## INCOME STATEMENT

**For the year ended 31 December**

| | Notes | 2023 € | 2022 € |
|---|---|---|---|
| Revenue | 4 | **10,593,468** | 539,044 |
| Direct costs | | **(8,972,011)** | (559,010) |
| **Gross profit/(loss)** | | **1,621,457** | (19,966) |
| Administrative expenses | | **(2,196,690)** | (952,504) |
| **Operating loss** | | **(575,233)** | (972,470) |
| Finance costs | 6 | **(772,925)** | (470,510) |
| Investment income and losses | 7 | **34,600** | - |
| Other income | | **-** | 39,373 |
| **Loss for the year** | 8 | **(1,313,558)** | (1,403,607) |

The notes on pages 18 to 33 are an integral part of the financial statements.

## BALANCE SHEET
As at 31 December

| | Notes | 2023 € | 2022 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **16,383,055** | 15,815,323 |
| Intangible assets | 10 | **579,894** | 611,124 |
| **Total non-current assets** | | **16,962,949** | 16,426,447 |
| **Current assets** | | | |
| Inventories | 11 | **189,586** | 209,259 |
| Trade and other receivables | 12 | **7,234,960** | 3,713,324 |
| Held-for-trading investments | 13 | **2,022,889** | - |
| Cash and cash equivalents | 14 | **2,195,620** | 750,473 |
| **Total current assets** | | **11,643,055** | 4,673,056 |
| **TOTAL ASSETS** | | **28,606,004** | 21,099,503 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 15 | **1,167** | 1,167 |
| Capital contribution reserve | 16 | **-** | 793,028 |
| Accumulated losses | | **(2,989,908)** | (1,818,301) |
| **TOTAL EQUITY** | | **(2,988,741)** | (1,024,106) |
| **Non-current liabilities** | | | |
| Borrowings | 17 | **16,032,132** | 13,330,990 |
| Redeemable preference shares | 18 | **6** | 6 |
| **Total non-current liabilities** | | **16,032,138** | 13,330,996 |
| **Current liabilities** | | | |
| Borrowings | 17 | **570,188** | 960,927 |
| Trade and other payables | 19 | **14,992,419** | 7,831,686 |
| **Total current liabilities** | | **15,562,607** | 8,792,613 |
| **TOTAL LIABILITIES** | | **31,594,745** | 22,123,609 |
| **TOTAL EQUITY AND LIABILITIES** | | **28,606,004** | 21,099,503 |

The notes on pages 18 to 33 are an integral part of the financial statements.

The financial statements on pages 14 to 33 have been approved, and authorised for issue by the Board of Directors on 15 January 2025 and were signed on its behalf by:

| | | |
|---|---|---|
| **Norman Aquilina**<br>Director<br>Malta Beverage Producers Association | **Michael Darmanin**<br>Director<br>Malta Beverage Importers Association | **Paul Abela**<br>Director<br>Malta Beverage Retailers Association |

## STATEMENT OF CHANGES IN EQUITY

| | Note | Share capital € | Capital contribution reserve € | Accumulated losses € | Total equity € |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | | 1,167 | 267,331 | (414,694) | (146,196) |
| Effect of the discounting factor on loans due to preference shareholders | 16 | - | 525,697 | - | 525,697 |
| Total comprehensive loss for the year: | | | | | |
| *Loss for the year* | | - | - | (1,403,607) | (1,403,607) |
| **Balance at 31 December 2022** | | **1,167** | **793,028** | **(1,818,301)** | **(1,024,106)** |
| Balance at 1 January 2023 | | 1,167 | 793,028 | (1,818,301) | (1,024,106) |
| Reversal of effect of the discounting factor on loans due to preference shareholders | 16 | - | (793,028) | 141,951 | (651,077) |
| Total comprehensive loss for the year: | | | | | |
| *Loss for the year* | | - | - | (1,313,558) | (1,313,558) |
| **Balance at 31 December 2023** | | **1,167** | **-** | **(2,989,908)** | **(2,988,741)** |

The notes on pages 18 to 33 are an integral part of the financial statements.

## CASH FLOW STATEMENT

For the year ended 31 December

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | € | € |
| **Cash flows from operating activities:** | | | |
| Loss for the year | | (1,313,558) | (1,403,607) |
| **Adjustment for:** | | | |
| Unrealised gain on exchange on held-for-trading investment | | (24,065) | - |
| Provision for doubtful debts | | 152,933 | - |
| Dividend income | | (14,271) | - |
| Depreciation charge | | 2,143,585 | 237,822 |
| Amortisation charge | | 74,602 | 16,367 |
| Write-off of property, plant and equipment | | - | 627 |
| Write down to NRV on goods ready for resale | | (1,130) | 9,542 |
| Realised gain on exchange on disposal of held-for-trading investment | | (3,129) | - |
| Interest expense and finance cost | | 772,925 | 470,510 |
| **Cash generated/(used) before working capital changes** | | 1,787,892 | (668,739) |
| (Decrease)/Increase in inventories | | 20,803 | (218,801) |
| Increase in trade and other receivables | | (3,674,569) | (2,126,794) |
| Increase in trade and other payables | | 7,160,733 | 6,954,662 |
| **Cash generated from operations** | | 5,294,859 | 3,940,328 |
| Proceeds from dividend income | | 14,271 | - |
| **Net cash flows generated from operating activities** | | 5,309,130 | 3,940,328 |
| **Cash flows from investing activities:** | | | |
| Payments to acquire property, plant and equipment | | (2,711,317) | (15,094,265) |
| Payments to acquire intangible assets | | (43,372) | (599,349) |
| Payments to acquire held-for-trading investments | | (2,495,695) | - |
| Proceeds from disposal of investment held-for-trading | | 500,000 | - |
| **Net cash flows used in investing activities** | | (4,750,384) | (15,693,614) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of redeemable preference shares | | - | 4 |
| Proceeds from bank loans | | 2,200,000 | 8,800,000 |
| Movement in shareholders' loans | | - | 4,100,000 |
| Movement in amounts due to shareholders | | (97,284) | (231,648) |
| Payments of bank loans | | (443,440) | - |
| Interest expense and finance cost paid | | (772,925) | (348,998) |
| **Net cash flows from financing activities** | | 886,351 | 12,319,358 |
| **Net cash increase in cash and cash equivalents** | | 1,445,097 | 566,072 |
| **Cash and cash equivalents at beginning of year** | | 750,473 | 184,401 |
| **Cash and cash equivalents at end of year** | 14 | 2,195,570 | 750,473 |

The notes on pages 18 to 33 are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

BCRS Malta Limited ("the Company") is registered in Malta as a limited liability company under the Companies Act (Cap. 386) with registration number C 96013. The registered office is BCRS Clearing Centre, HHF 406, Hal Far Industrial Park, Hal Far, Birzebbugia, Malta.

The Company was incorporated on 11 August 2020 on a not-for-profit basis as included within the memorandum and articles of association, with the ordinary shareholders being three purposely setup associations representing the stakeholders within the beverage industry namely, the Malta Beverage Producers Association, the Malta Beverage Importers Association, and the Malta Beverage Retailers Association ("the Associations"). The shareholding amongst the three Associations is split equally with each Association ensure adequate representation of both larger and smaller market participants. Each Association has three directors appointed on the Company's Board of Directors to ascertain fair representation.

The strategy for the implementation of the Beverage Container Refund Scheme in Malta, including, the model underpinning its operation and beverages in scope came out of a government led consultation process in May 2018. The model for the Scheme was developed following review of similar successful Schemes launched in twelve other jurisdictions across Europe. Following the approval of the BCRS Regulations (L.N. 311 of 2020 as subsequently amended) by the European Commission, the Company received a 12-year licence to operate the Scheme in full compliance of Regulation 4 of the BCRS Regulations.

The principal activity of the Company as per the Memorandum and Articles of Association is to carry out on a not-for-profit basis, waste management, involving the development, setting up and conduct of a system applying on a nationwide basis in the Maltese islands, the return of used packaging of beer, soft drinks, water and other beverages and related activities, inter alia, activities relating to the production, marketing, use and recycling of containers in order to reduce the impact of waste on the environment, such activities being consistent with and in pursuance of any scheme that may apply in terms of any legislation relating to beverage container recycling. Furthermore, the Company operates on a lowest-cost principle to ascertain the most effective and efficient use of its resources.

The objectives of the Company, in accordance with the principles of operating within a circular economy, include:

1. To reach Environmental targets in line with national and EU environmental commitments with respect to both collection and recycling of post-consumer single use beverage containers, as evidenced by recycling certificates received from authorised recycling companies within Europe.

2. Improve public well-being and reduce littering across the Maltese Islands.

3. Provide a reliable supply of high-grade recycled material closing the life cycle of Single Use Beverage Containers made of Plastic, Metal and Glass based on Circular Economy Principles.

4. Ensuring no unnecessary burdens fall on the sector by using not-for-profit and lowest cost principles within the Business Model to maintain lowest possible Administration Fees.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 2. GOING CONCERN

During the year ended 31 December 2023, the Company registered a loss before tax of €1,313,558 (2022: €1,403,607), and as of that date, the Company's current liabilities exceeded its current assets by €3,919,552 (2022: €4,119,557). The Company is in a net liability position of €2,988,741 (2022: €1,024,106). During 2024, the Company registered similar losses (unaudited) as FY 2023. The cash generated from operations for the year amounted to €5,294,859 (2022: €3,940,328).

The Scheme was due to commence in April 2022. Actual operations commenced on the 14 November 2022 and as a result of the delay, the Company has suffered a loss of expenditure over income for the year ended 31 December 2023.

The nature of how the scheme operates dictates that administration fees are used as the primary medium to ensure that the total costs of operating the scheme are recovered in full. After reviewing the financial results of 2022, 2023 and 2024 (unaudited), the Board of Directors resolved to increase the administration fee as from 1 February 2025. The increase will enable the Company to operate at sustainable levels allowing the Company to recover its initial losses in full over the remaining term of the concession.

Following the increase in the administrative fees, forecasts prepared by management show surplus levels and cash generation that indicate that the Company will be able to honour its obligations as and when they fall due. Furthermore, the financial model underpinning the scheme operated by the Company is such that all excess costs over income are to be recouped through the administration fees levied to the producers and importers who place their products on the market. Therefore, while the Company will continue to challenge and streamline its costs wherever possible, should it not recover the total costs, a further review in the administration fee may be necessary.

The forecasts also indicate that any future capital expenditure would require external funding, apart from income arising from administrative fees.

The forecasts prepared by management and reviewed by the Board of Directors indicate satisfactory cash generation to be sustained at current levels or improved. Based on this review, the Board of Directors expect that the Company will be able to sustain its operations over the next twelve months, will have adequate resources to continue in operation for the foreseeable future and will be in a position to meet its obligations as and when they fall due.

Accordingly, the Board of Directors has concluded that there is no material uncertainty in respect of going concern and based on the foregoing, the Directors believe that is it appropriate to prepare these financial statements on a going concern basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES

*Basis of preparation*

The financial statements of the Company have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME") and the requirements of the Companies Act (Cap. 386) enacted in Malta.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

*Basis of preparation - continued*

The financial statements have been prepared under the historical cost basis, unless otherwise mentioned in the relevant accounting policies.

These financial statements present information about the Company as an individual undertaking.

*Functional and presentation currency*

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Intangible assets**

*Acquired intangible assets - Website and computer software*

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets have finite useful life. Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. Gains or losses arising from derecognition represents the difference between the net disposal proceeds, if any, and the carrying amount, and recognised in profit or loss in the period of derecognition.

The amortisation of the website is based on a useful life of 5 years, while the amortisation for the computer software is based on a useful life of 10 years and are charged to profit or loss.

**Property, plant and equipment**

*Recognition and measurement*

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standards of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Property, plant and equipment - continued**

After initial recognition, property, plant and equipment is carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses.

*Depreciation*

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

The rates of depreciation used for items of property, plant and equipment are the following:

| | % |
|---|---|
| Plant | 3 |
| Plant equipment | 10 |
| Furniture and fixtures | 10 |
| Computer equipment | 25 |
| RVMs/Hubs | 14 - 20 |

*Depreciation method, useful life and residual value*

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

*Derecognition of property, plant and equipment*

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

**Financial assets, financial liabilities and equity**

A financial asset or a financial liability is recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus, in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the Company.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Financial assets, financial liabilities and equity - continued**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

*Trade and other receivables*

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment.

*Investments*

A held for trading investment (the "HFT") is an investment that is acquired principally for the purpose of selling it in the near term, or on initial recognition is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking or is a derivative (except for a derivative that is a designated and effective hedging instrument).

After initial recognition, the Company carries its HFT investments under the fair value through profit or loss model. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

Dividends arising on HFT investments are recognised with other dividends, if any, arising on other financial assets and included within the line item investment income. Likewise interest arising from HFT investments are recognised with other interest, if any, arising on other financial assets and included within the line item investment income.

*Trade and other payables*

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

*Borrowings*

Borrowings are recognised initially at fair value of proceeds received, net of transactions costs incurred. Subsequent to initial recognition, interest bearing loans are measured at the amortised cost using the effective interest method. Bank loans are carried at their face value due to their market rate of interest. On derecognition, any difference between the carrying amount and the redemption or settlement amount is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Financial assets, financial liabilities and equity - continued**

*Borrowings - continued*

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period

*Share capital issued by the Company*

Ordinary shares issued by the Company are classified as equity. Dividends to ordinary shareholders are debited directly to equity and are recognised as liabilities in the period in which they are declared.

Preference share capital issued by the Company is classified as a financial liability. Preference shares that provide for the mandatory redemption by the Company for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the Company to redeem the instrument at or after a particular date for a fixed or determinable amount, are classified as financial liabilities. Dividends thereon are recognised as interest expense in profit or loss as accrued.

*Offsetting of financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Inventories**

*Goods ready for resale*

Goods ready for resale are assets held for sale in the ordinary course of business and in the process of production for such sale. Inventories are carried at the lower of cost and net realisable value (NRV). The cost of inventories comprises the costs of direct labour, other direct costs and related production overheads (based on normal operating activities) but excludes borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business after allowing for all further costs of completion and disposal. Write-down to NRV is recognised in profit or loss.

*Consumable Inventory*

Consumable inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises the invoices value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Impairment**

The Company's non-financial and financial assets are tested for impairment.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The carrying amounts of the Company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

*Financial assets*

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**Cash and cash equivalents**

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from the sale of goods, whether by wholesale, retail or export, is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the inflow of economic benefits associated with the transaction is probable, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably, and there is no continuing managerial involvement with the goods. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates allowed by the entity.

*Income from registration fees*

Income from registration fees is recognised on a yearly basis for the registration of the producer, distributor, retailer and catering undertaking in each function registered, for every retail establishment and every catering establishment registered. In addition, the producers shall be subject to a one-time fee for every beverage type intended to be placed on the market individually distinguished by product, beverage container material, design or size typology for the amount of €100 per unique typology registered.

*Income from administration fees*

Income from administration fees is recognised upon the placement of every beverage container placed on the market by the producers and importers.

*Income from unredeemed deposits*

Income from unredeemed deposits is calculated to be 80% of the variance between the total placement and total collections figures within a financial year and shall be recognised as unredeemed deposits income in the same financial year. The remaining 20% of the variance shall be deferred and recognised in the subsequent financial year.

*Income from unredeemed vouchers*

Income from unredeemed vouchers is recognised upon the voucher expiration date which is one year from date of issuance.

**Current and deferred tax**

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

**Current and deferred tax - continued**

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences. Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

**Borrowing costs**

Borrowing costs are recognised in profit or loss as incurred.

### 4. REVENUE

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Sale of goods | **1,339,246** | 124,401 |
| Income from registration fees | **21,620** | 107,600 |
| Income from administration fees | **3,130,047** | 307,043 |
| Income from unredeemed deposits and vouchers | **6,102,555** | - |
| | **10,593,468** | 539,044 |

### 5. EMPLOYEE BENEFIT EXPENSE

Employee benefit expense incurred during the year were as follows:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Wages and salaries | **918,179** | 438,137 |
| Social security contributions | **52,422** | 19,993 |
| | **970,601** | 458,130 |

The average number of persons employed by the Company during the year were 22 (2022: 9).

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 6. FINANCE COSTS

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Effective interest on preference shareholders loans | - | 121,512 |
| Interest on amounts due to associations | - | 7,976 |
| Interest on bank loan | 603,992 | 211,190 |
| Finance fees | - | 129,832 |
| Interest on preference shareholders loans | 168,933 | - |
| | 772,925 | 470,510 |

### 7. INVESTMENT INCOME AND LOSSES

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Investment income is analysed as follows:** | | |
| Unrealised gain on exchange on HFT investments | 24,065 | - |
| Realised gain on exchange on disposal of HFT investments | 3,129 | - |
| Interest income from HFT investments | 5,068 | - |
| Dividend income from HFT investments | 14,271 | - |
| | 46,533 | - |
| **Investment losses are analysed as follows:** | | |
| Interest expense from HFT investments | 11,933 | - |
| **Total** | 34,600 | - |

### 8. LOSS FOR THE YEAR

The loss for the year is stated after charging:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Employee benefit expense (Note 5) | 970,601 | 458,130 |
| Auditors' remuneration | 7,087 | 6,750 |
| Depreciation of property, plant and equipment (Note 9) | 2,143,585 | 237,822 |
| Write-down to NRV (Note 11) | (1,130) | 9,542 |
| Amortisation charge (Note 10) | 74,602 | 16,367 |
| RVMs operational and collection costs | 3,850,956 | 171,857 |
| Unrealised gain on exchange | (24,065) | - |
| Realised gain on exchange | (3,079) | - |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 9. PROPERTY, PLANT AND EQUIPMENT

| | Plant equipment | Furniture and fixtures | Computer equipment | RVMs/Hub | Plant | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Cost** | | | | | | |
| Opening balance | 3,060,872 | 44,648 | 37,743 | 7,309,887 | 5,601,045 | 16,054,195 |
| Additions | 98,980 | 3,069 | 6,531 | 2,451,709 | 151,028 | 2,711,317 |
| **Balance at 31 December 2023** | **3,159,852** | **47,717** | **44,274** | **9,761,596** | **5,752,073** | **18,765,512** |
| **Depreciation** | | | | | | |
| Opening balance | (39,806) | (1,677) | (4,570) | (172,809) | (20,010) | (238,872) |
| Depreciation | (304,114) | (4,627) | (9,970) | (1,656,114) | (168,760) | (2,143,585) |
| **Balance at 31 December 2023** | **(343,920)** | **(6,304)** | **(14,540)** | **(1,828,923)** | **(188,770)** | **(2,382,457)** |
| **Carrying amount** | | | | | | |
| At 31 December 2022 | 3,021,066 | 42,971 | 33,173 | 7,137,078 | 5,581,035 | 15,815,323 |
| **At 31 December 2023** | **2,815,932** | **41,413** | **29,734** | **7,932,673** | **5,563,303** | **16,383,055** |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 10. INTANGIBLE ASSETS

| | Website | Computer software | Total |
|---|---|---|---|
| | € | € | € |
| **Cost** | | | |
| Opening balance | 48,312 | 581,737 | 630,049 |
| Additions | 20,578 | 22,794 | 43,372 |
| **Balance at 31 December 2023** | **68,890** | **604,531** | **673,421** |
| | | | |
| **Accumulated amortisation** | | | |
| Opening balance | (11,330) | (7,595) | (18,925) |
| Amortisation | (14,748) | (59,854) | (74,602) |
| **Balance at 31 December 2023** | **(26,078)** | **(67,449)** | **(93,527)** |
| | | | |
| **Carrying amount** | | | |
| At 31 December 2022 | 36,982 | 574,142 | 611,124 |
| **At 31 December 2023** | **42,812** | **537,082** | **579,894** |

### 11. INVENTORIES

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Goods ready for resale | **73,935** | 139,086 |
| Consumable inventory | **124,063** | 79,715 |
| Write down to NRV on goods ready for resale | **(8,412)** | (9,542) |
| | **189,586** | 209,259 |

### 12. TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Trade receivables - third parties (Note i) | **3,396,828** | 436,309 |
| Trade receivables - related parties | **3,152,393** | 731,970 |
| Accrued Income | **63,659** | 2,028,123 |
| VAT receivable | **441,591** | 234,039 |
| Prepayments and advance payments | **180,489** | 282,883 |
| | **7,234,960** | 3,713,324 |

i. The trade receivables from third parties are stated net of allowance for doubtful debts amounting to €152,933 (2022: €Nil).

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 13. HELD-FOR-TRADING INVESTMENTS

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Analysis of HFT investments** | | |
| Quoted debt | **2,022,889** | - |

Reconciliation of opening and closing HFT balance:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| At 1 January | - | - |
| Additions | **2,495,695** | - |
| Disposal | **(500,000)** | - |
| Fair value gain recognised in profit or loss | **27,194** | - |
| **At 31 December** | **2,022,889** | - |

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks. Cash and cash equivalents included in the cash flow statement reconcile to the amounts shown in the balance sheet as follows:

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Cash at bank | **2,195,620** | 750,473 |
| Bank balances overdrawn (refer to Note 17) | **(50)** | - |
| **Cash and cash equivalents as per statement of cash flows** | **2,195,570** | 750,473 |

### 15. SHARE CAPITAL

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Issued and fully paid up** | | |
| Ordinary shares of €1 each | **1,167** | 1,167 |

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 16. CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve pertained to the non-financial element, originating from the loans due to shareholders. Since the loans due to preference shareholders were interest free, the fair value of such loans had to be computed and the difference between the loan amount and its fair value was accounted for in this reserve. As from 2023, the terms of the loans were changed, and the loans are now subject to interest as disclosed in Note 17.

### 17. BORROWINGS

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| **Non-current** | | |
| Bank loan (Note i and ii) | **9,986,422** | 7,907,021 |
| Loans due to preference shareholders (Note iii) | **6,045,710** | 5,423,969 |
| | **16,032,132** | 13,330,990 |
| **Current** | | |
| Bank loan (Note i and ii) | **570,138** | 892,979 |
| Loans due to preference shareholders (Note iii) | **-** | 67,948 |
| Bank balances overdrawn | **50** | - |
| | **570,188** | 960,927 |

i. Bank loan I amounting to €8,392,122, is secured by a general hypothec and a special hypothec over all the assets of the Company, and by a pledge over the insurance policies. This bank loan is subject to interest of 2.75% per annum over the 3 month EURIBOR rate and are fully repayable within a period of ten years through a monthly installments of €84,116 each commencing following a moratorium period of one year.

ii. Bank loan II amounting to €2,164,438, is secured by a general hypothec and a special hypothec on temporary utile dominium over commercial premises construction of the recycling packaging plant. This bank loan is subject to interest of 2.75% per annum over the 3 month EURIBOR rate and are fully repayable within a period of ten years through a monthly installments of €21,029 each.

iii. The loans due to preference shareholders are unsecured, incurs an interest of 2.75% per annum and repayable not later than 31 March 2033.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 18. REDEEMABLE PREFERENCE SHARES

On 09 June 2022, 16 August 2022, 26 October 2022 and 27 October 2022, the Company issued 4 fully paid cumulative redeemable preference share respectively with a par value of €1 per share. Additionally, during 2021, the Company issued 2 fully paid cumulative redeemable preference share respectively with a par value of €1 per share. The shares shall be redeemed at their nominal value and may be redeemed at any time between their issue and allotment and 15 years falling due after the first preference share has been issued and allotted provided that no preference share may be redeemed unless all contributions in respect of that particular preference share have been repaid in full or cancelled. Redeemable preference shares do not have voting rights.

The holders of preference shares shall not be entitled to any dividends and are not entitled to any other rights whatsoever save for those stipulated in Articles 20 to 22 of the Memorandum and Articles of Association.

### 19. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|---|---|
| | € | € |
| Trade payables - third parties | **9,691,683** | 2,532,492 |
| Trade payables - related parties | **377,104** | - |
| Deposits for beverage containers | **2,435,283** | 1,746,943 |
| Accruals and deferred income | **2,464,382** | 3,534,714 |
| FSS payable | **23,967** | 17,537 |
| | **14,992,419** | 7,831,686 |

### 20. CAPITAL COMMITMENTS

As at 31 December 2023 there were no capital commitments. The total capital commitments as at 31 December 2022 pertaining to the large capacity RVM Hubs that have not yet been contracted for, amounted to around €2,200,000.

### 21. RELATED PARTY DISCLOSURES

The Company has related party relationships with the shareholders. Transactions are carried out with related parties on a regular basis and in the ordinary course of the business.

During the year, the Company incurred interest fees on loans due to preference shareholders amounting to €168,933 (2022: €129,832).

The outstanding amounts arising from the above transactions with the related parties are disclosed in Notes 17 and 19 to these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 22. POST BALANCE SHEET EVENTS

*Administrations fees incrementals*

On the 27 December 2024, the Company duly informed all producers and importers of that the administration fees would be increasing as of 1 February 2025. The planned increases in administration fees will enable the Company to operate at profit levels, which would also allow the Company to recover its initial losses in full over the remaining term of the concession.

### 23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.