



FRONTARICO PLC

**REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2023**

Certified true copy of the original Financial Statement, Statement of Financial Position, Director's and Auditors' reports as presented to a general meeting.

Director: 
Secretary: 

FRONTARICO PLC

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2023

FRONTARICO PLC

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2023

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FRONTARICO PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Eleftherios Konstantinou
Andreas Siamptanis (appointed on 11/05/2023)
Socrates Ellinas (resigned on 11/05/2023)

Company Secretary:

Eleftherios Konstantinou

Independent Auditors:

Meritorius Audit Ltd
Certified Public Accountants and Registered Auditors
3A Theodorou Potamianou str.
1st Floor, Office 101
4155 Limassol

Registered office:

Ampelakion, 28
Germasogeia
4046, Limassol
Cyprus

Bankers:

Bank of Cyprus Public Company Ltd

Registration number:

HE386337

FRONTARICO PLC

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2023.

Principal activities and nature of operations of the Company

The principal activity of the Company is real estate development. The Company has a plan to develop university institutions and student halls. The Company has a also a plan to construct certain environmental and cultural facilities such as retail dining, entertainment, fitness and landscape gateways. To achieve its goals, during the year the Company's make an application to the Cyprus Stock Exchange for listing its shares on the Cyprus Stock Exchange Emerging Companies Market.

Review of current position, and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in note 7 of the financial statements.

Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future

Existence of branches

The Company does not maintain any branches.

Use of financial instruments by the Company

The Company is exposed to interest rate risk and liquidity risk from the financial instruments it holds.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Results

The Company's results for the year are set out on page 8. The net loss for the year is carried forward.

Share capital

There were no changes in the share capital of the Company during the year under review.

Corporate Governance Code

The Board of Directors, as at the date of this report has not decided to adopt the Corporate Governance Code as it is not mandatory for companies listed on the Cyprus Stock Exchange (Emerging Companies Market).

FRONTARICO PLC

MANAGEMENT REPORT

Board of Directors

The members of the Company's Board of Directors as at 31 December 2023 and at the date of this report are presented on page 1. On 11 May 2023 Mr. Socrates Ellinas resigned and on the same date Mr. Andreas Siamptanis was appointed on his place.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

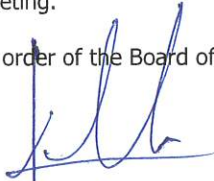
Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 22 of the financial statements.

Independent Auditors

The Independent Auditors, Meritorius Audit Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Eleftherios Konstantinou
Director

Limassol, 16 April 2024

FRONTARICO PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the members of the Board of Directors and the Company official responsible for the financial statements of Frontarico PLC (the "Company") for the year ended 31 December 2023, on the basis of our knowledge, declare that:

(a) The annual financial statements of the Company which are presented on pages 8 to 22:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Company and the entities included in the financial statements as a whole and

b) The management report provides a fair view of the developments and the performance as well as the financial position of the Company as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:



Eleftherios Konstantinou

Andreas Siamptanis



Responsible for drafting the financial statements

Lia Kareliadou (Financial Manager)



Limassol, 16 April 2024

Independent Auditor's Report

To the Members of Frontarico PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Frontarico PLC (the "Company"), which are presented in pages 8 to 22 and comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes of the financial statements, including material accounting policy information.

In our opinion, the accompanying 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management 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, 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.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

To the Members of Frontarico PLC

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 judgment 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 Board of Directors.
- Conclude on the appropriateness of the Board of 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.
- 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 a true and fair view.

We communicate with the Board of 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.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- 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 Management Report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Independent Auditor's Report (continued)

To the Members of Frontarico PLC



Despoina Demetriou
Certified Public Accountant and Registered Auditor
for and on behalf of
Meritorius Audit Ltd
Certified Public Accountants and Registered Auditors

Limassol, 16 April 2024

FRONTARICO PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2023

	Note	2023 €	2022 €
Revenue		-	-
Administration expenses	8	<u>(61,358)</u>	<u>(16,668)</u>
Operating loss		(61,358)	(16,668)
Net finance costs	9	<u>(656)</u>	<u>(793)</u>
Loss before tax		(62,014)	(17,461)
Tax	10	<u>-</u>	<u>-</u>
Net loss for the year		(62,014)	(17,461)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(62,014)</u>	<u>(17,461)</u>

The notes on pages 12 to 22 form an integral part of these financial statements.

FRONTARICO PLC

STATEMENT OF FINANCIAL POSITION

31 December 2023

	Note	2023 €	2022 €
ASSETS			
Current assets			
Inventories	11	6,280,878	5,153,223
Other receivables	12	59,466	26,648
Cash at bank	13	3,352	21,444
		<u>6,343,696</u>	<u>5,201,315</u>
Total assets		<u>6,343,696</u>	<u>5,201,315</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,000,000	1,000,000
Accumulated losses		<u>(134,879)</u>	<u>(72,865)</u>
Total equity		<u>865,121</u>	<u>927,135</u>
Non-current liabilities			
Borrowings	15	<u>5,470,412</u>	<u>4,053,993</u>
		<u>5,470,412</u>	<u>4,053,993</u>
Current liabilities			
Trade and other payables	16	<u>8,163</u>	<u>220,187</u>
		<u>8,163</u>	<u>220,187</u>
Total liabilities		<u>5,478,575</u>	<u>4,274,180</u>
Total equity and liabilities		<u>6,343,696</u>	<u>5,201,315</u>

On 16 April 2024 the Board of Directors of Frontarico PLC authorised these financial statements for issue.


.....
Eleftherios Konstantinou
Director


.....
Andreas Siamptanis
Director

The notes on pages 12 to 22 form an integral part of these financial statements.

FRONTARICO PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital €	Accumulated losses €	Total €
Balance at 1 January 2022	1,000,000	(55,404)	944,596
Net loss for the year	-	(17,461)	(17,461)
Balance at 31 December 2022/ 1 January 2023	1,000,000	(72,865)	927,135
Comprehensive income			
Net loss for the year	-	(62,014)	(62,014)
Balance at 31 December 2023	1,000,000	(134,879)	865,121

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 12 to 22 form an integral part of these financial statements.

FRONTARICO PLC

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023	2022
	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(62,014)	(17,461)
	(62,014)	(17,461)
Changes in working capital:		
Increase in inventories	(1,127,655)	(1,260,303)
Increase in other receivables	(32,818)	(13,817)
(Decrease)/increase in trade and other payables	(212,024)	213,976
Cash used in operations	(1,434,511)	(1,077,605)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-	74,000
Proceeds from borrowings	1,416,419	1,024,716
Net cash generated from financing activities	1,416,419	1,098,716
Net (decrease)/increase in cash and cash equivalents	(18,092)	21,111
Cash and cash equivalents at beginning of the year	21,444	333
Cash and cash equivalents at end of the year	3,352	21,444
	13	

The notes on pages 12 to 22 form an integral part of these financial statements.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

1. Incorporation and principal activities

Country of incorporation

The Company Frontarico PLC (the "Company") was incorporated in Cyprus on 13 July 2018 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Ampelakion, 28, Germasogeia, 4046, Limassol, Cyprus.

Principal activities

The principal activity of the Company is real estate development. The Company has a plan to develop university institutions and student halls. The Company has also a plan to construct certain environmental and cultural facilities such as retail dining, entertainment, fitness and landscape gateways. To achieve its goals, during the year the Company's make an application to the Cyprus Stock Exchange for listing its shares on the Cyprus Stock Exchange Emerging Companies Market.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

4. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Company.

5. Material accounting policies

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. Material accounting policies (continued)

Foreign currency translation (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. Material accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 7, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 7, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. Material accounting policies (continued)

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. They are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

5. Material accounting policies (continued)

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade payables

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Land and buildings under development

The cost of land and buildings under development and completed buildings for sale comprise the cost of acquiring the land and the development costs of the buildings. The development cost of the buildings includes raw materials, direct labour cost, depreciation of plant and equipment and other indirect costs of construction.

The land for development is carried at cost and included in land and buildings under development at the reporting date.

Share capital

Ordinary shares are classified as equity.

6. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

7. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, operational risk, compliance risk, litigation risk, reputation risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

7.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

7. Financial risk management (continued)

7.1 Interest rate risk (continued)

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2023	2022
	€	€
Fixed rate instruments		
Financial liabilities	<u>(5,470,412)</u>	<u>(4,053,993)</u>
	<u><u>(5,470,412)</u></u>	<u><u>(4,053,993)</u></u>

7.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents.

(i) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents

Cash and cash equivalents

The Company assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 December 2023 and 31 December 2022:

Company internal credit rating	External credit rating	2023	2022
		€	€
Performing-Bank of Cyprus	B1	<u>3,352</u>	<u>21,444</u>
Total		<u><u>3,352</u></u>	<u><u>21,444</u></u>

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Company does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

7.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

7. Financial risk management (continued)

7.3 Liquidity risk (continued)

31 December 2023	Carrying amounts €	Contractual cash flows €	Within 12 months €	1-5 years €	More than 5 years €
Trade and other payables	8,163	8,163	8,163	-	-
Loan from parent company	5,470,412	6,030,886	-	6,030,886	-
	5,478,575	6,039,049	8,163	6,030,886	-

31 December 2022	Carrying amounts €	Contractual cash flows €	Within 12 months €	1-5 years €	More than 5 years €
Trade and other payables	208,357	208,357	208,357	-	-
Payables to related parties	11,830	11,830	11,830	-	-
Loan from parent company	4,053,993	4,104,986	4,104,986	-	-
	4,274,180	4,325,173	4,325,173	-	-

7.4 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

7.5 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

7.6 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

7.7 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company applies procedures to minimize this risk.

7.8 Capital risk management

Capital includes equity shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

8. Administration expenses

	2023	2022
	€	€
Licenses and taxes	854	584
Annual levy	350	350
Non charitable donations	1,700	-
Auditors' remuneration	1,785	1,785
Accounting fees	10,000	10,250
Professional and legal fees	45,972	2,855
Sundry expenses	697	844
	<u>61,358</u>	<u>16,668</u>

9. Finance costs

	2023	2022
	€	€
Finance costs		
Sundry finance expenses		
Bank charges	<u>656</u>	<u>793</u>
	<u>656</u>	<u>793</u>

10. Tax

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2023	2022
	€	€
Loss before tax	<u>(62,014)</u>	<u>(17,461)</u>
Tax calculated at the applicable tax rates	(7,752)	(2,183)
Tax effect of expenses not deductible for tax purposes	55	48
Tax effect of tax loss for the year	<u>7,697</u>	<u>2,135</u>
Tax charge	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (reduced to 17% as of 1 January 2024). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

11. Inventories

	2023	2022
	€	€
Property under development	<u>6,280,878</u>	<u>5,153,223</u>
	<u>6,280,878</u>	<u>5,153,223</u>

Inventories are stated at cost.

Analysis of cost of property under development:

	2023	2022
	€	€
Land	4,295,730	4,291,010
Loan interest	610,612	408,911
Cost of construction	<u>1,374,536</u>	<u>453,302</u>
Total	<u>6,280,878</u>	<u>5,153,223</u>

12. Other receivables

	2023	2022
	€	€
Refundable VAT	<u>59,466</u>	<u>26,648</u>
	<u>59,466</u>	<u>26,648</u>

The exposure of the Company to credit risk and impairment losses in relation to other receivables is reported in note 7 of the financial statements.

13. Cash at bank

Cash balances are analysed as follows:

	2023	2022
	€	€
Cash at bank	<u>3,352</u>	<u>21,444</u>
	<u>3,352</u>	<u>21,444</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the financial statements.

14. Share capital

	2023	2023	2022	2022
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
Balance at 1 January	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Balance at 31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

15. Borrowings

	2023	2022
	€	€
Non-current borrowings		
Loan from parent company (Note 17.2)	<u>5,470,412</u>	4,053,993
	<u>5,470,412</u>	<u>4,053,993</u>

Maturity of non-current borrowings:

	2023	2022
	€	€
Between two and five years	<u>5,470,412</u>	<u>4,053,993</u>

16. Trade and other payables

	2023	2022
	€	€
Trade payables	1,023	203,000
Accruals	7,140	5,357
Payables to associates (Note 17.1)	-	11,830
	<u>8,163</u>	<u>220,187</u>

17. Related party transactions

The following transactions were carried out with related parties:

17.1 Payables to related parties (Note 16)

<u>Name</u>	<u>Nature of transactions</u>	2023	2022
		€	€
Prime Consulting	Trade	-	11,806
BBF Developers Ltd	Trade	-	24
		<u>-</u>	<u>11,830</u>

17.2 Loans from related parties (Note 15)

	2023	2022
	€	€
BBF Global Limited	<u>5,470,412</u>	4,053,993
	<u>5,470,412</u>	<u>4,053,993</u>

The loan from BBF Global Ltd bears interest at the rate of 4.5% per annum and is repayable on 10/04/2025. The loan is unsecured.

FRONTARICO PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023

18. Shareholders holding more than 5% of share capital

The persons holding more than 5% of the share capital as at 31 December 2023 were as follows:

	31 December 2023
	%
Vadim Romanov	49.95
Stelios Loizou	49.95

19. Significant agreements with management

At the end of the year, no significant agreements existed between the Company and its Management.

20. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2023.

21. Commitments

The Company had no capital or other commitments as at 31 December 2023.

22. Events after the reporting period

On 7th of March 2024 ,the Cyprus Stock Exchange announced the listing of the ordinary shares of the Company, pursuant to Article 58(1) of the CSE Law, on the CSE Emerging Companies Market and the simultaneous registration of its ordinary shares to the Central Securities Depository/Registry of the CSE pursuant to Articles 10(1) and (3) of the Securities and Cyprus Stock Exchange (Central Securities Depository/Central Registry) Law

The trading of the Company's shares commenced on Tuesday 19 March 2024 and will be effected in Euro (€).

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 5 to 7