

JUEL Group Limited

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31st DECEMBER 2022

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**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31st DECEMBER 2022**

The directors present their report and the audited parent Company financial statements together with the Group's consolidated financial statements of JUEL Group Limited for the period ended 31st December 2022.

Principal Activities

The statement of comprehensive income for the year is set out on page 6.

The Group has three distinct business segments, property development, property rental and hotel operations.

Review of business

On 22nd December 2022, JUEL Group Limited acquired the entire share capital of the four subsidiary companies. The subsidiaries are involved in property development, property letting and hospitality.

During the current period, the group had turnover amounting to Eur 5,404, cost of sales amounting to Eur 2,039 and gross profit amounting to Eur 3,365. The Group had administration expenses amounting to Eur 6,463, finance income of Eur 2,177 and finance costs of Eur 100. The group made a loss before taxation of Eur 1,021. The company made a profit before taxation of Eur 998.

Results and dividends

The results for the period are shown in the statement of comprehensive income on page 6.

The Directors do not recommend the payment of a final dividend.

Directors

The Director of the company as at 31st December 2022 who held office throughout the year was Adrian Muscat. George Muscat was appointed as a Chairman on 14th March 2023.

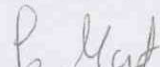
Robert C. Aquilina, Mario Camilleri and Dennis Gravina were appointed as directors on the 14th of March 2023.

In accordance with the company's memorandum and articles of association the Director remains in office.

Auditor

The auditor, TACS Malta Limited has expressed its willingness to continue in office and a resolution proposing its reappointment will be put before the members at the next annual general meeting.

Approved by the Board of Directors on behalf of the Board hereunder:


George Muscat
Director


Adrian Muscat
Director

Avian Hill,
Triq L-Ispanjulett, C/W Triq Il-Gallina,
Kappara, San Gwann
Malta

Date : 06 April 2023

Independent auditor's report

To the Shareholders of Juel Group Limited.

Report on the Audit of the Financial Statements for the period ended 31st December 2022.

Opinion

I have audited the parent company financial statements and the consolidated financial statements of Juel Group Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 6 to 35 which comprise the statement of financial position as at 31st December 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Juel Group Limited and its Group as at 31st December 2022, and of the Company's and its Group's financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

To the best of my knowledge and belief I have not provided any of the prohibited services as set out in the Accountancy Profession Act.

Independent auditor's report

To the Shareholders of Juel Group Limited.

Information other than the Financial Statements and Auditor's Report thereon

The director is responsible for the other information. The other information comprises the Director's Report and the statement of the Director's Responsibilities.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

With respect to the Director's Report, I also considered whether the Director's Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Director's Report, in my opinion, based on the work undertaken in the course of the audit:

The information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

The Director's Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Director's Report.

Responsibilities of the Directors

The director is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as the director 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 director 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 director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

To the Shareholders of Juel Group Limited.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

Independent auditor's report

To the Shareholders of Juel Group Limited.

Report on Other Legal and Regulatory Requirements

I am also responsible under the Companies Act (Cap. 386), I have responsibilities to report to you if, in my opinion:

- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches visited by me.
- The financial statements are not in agreement with the accounting records and returns.
- I have not received all the information and explanations I require for my audit.
- The information given in the Report of the Director is not consistent with the financial statements.

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

This copy of the audit report has been signed by
Pamela Fenech (Partner) for and on behalf of

TACS Malta Limited

1, Tal-Providenza Mansions,
Main Street,
Balzan
Malta

Date: 06th April 2023

**INCOME STATEMENT
FOR THE PERIOD ENDED 31ST DECEMBER 2022**

	Notes	Group 2022 €	Company 2022 €
Turnover	4	5,404	-
Cost of sales		(2,039)	-
Gross Profit		3,365	-
Administrative expenses		(6,463)	(4,775)
Finance income	8	2,177	321,527
Finance costs	7	(100)	(315,754)
(Loss)/profit before taxation		(1,021)	998
Tax expense	9	2,247	(349)
Profit for the period		1,226	649

STATEMENT OF COMPREHENSIVE INCOME

Total Comprehensive income	1,226	649
Earnings per share	-	-

The notes on pages 6 to 35 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION – 31ST DECEMBER 2022

	Notes	Group 2022 €	Company 2022 €
FIXED ASSETS			
Fixed assets			
Property plant and equipment	10	21,128,541	-
Investment property	11	10,700,000	-
Investment in subsidiaries	13	-	10,948,390
Other financial assets	18	-	17,591,867
		31,828,541	28,540,257
Current assets			
Deferred tax		2,347	-
Inventory	14	6,188,165	-
Trade and other receivables	15	916,610	-
Cash and bank balances	16	1,163,772	1,900
		8,270,894	1,900
Total Assets		40,099,435	28,542,157
EQUITY AND LIABILITIES			
Capital Reserves			
Issued share capital	17	10,951,390	10,951,390
Retained earnings		1,226	649
Other equity	19	(17,970)	-
Total equity		10,934,646	10,952,039
Non-current liabilities			
Bank loans	21	6,063,777	-
Deferred tax liability	12	856,000	-
Total non-current liabilities		6,919,777	-
Current liabilities			
Bank overdraft and loans	21	8,000,000	8,000,000
Trade and other payables	23	4,737,029	101,926
Taxation due		20,140	349
Bond advance facility	22	9,487,843	9,487,843
Total Current liabilities		22,245,012	17,590,118
Total liabilities		29,164,789	17,590,118
Total equity and liabilities		40,099,435	28,542,157

The notes on pages 6 to 35 are an integral part of these financial statements.

The financial statements on pages 1 to 35 were approved by the board of directors and were signed on its behalf by:


George Muscat
Director


Adrian Muscat
Director

Date: 06 April 2023

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST DECEMBER 2022**

	Share Capital	Other Equity	Profit and Loss Account	Total
	€	€	€	€
Group				
Acquisition as at 22 nd December 2022	10,951,390	-	-	10,951,390
Profit for the period	-	-	1,226	1,226
Loss arising on acquisition of the subsidiaries	-	(17,970)	-	(17,970)
Balance at 31st December 2022	10,951,390	(17,970)	1,226	10,934,646
Company				
Issue of share capital	10,591,390	-	-	10,591,390
Profit for the period	-	-	649	649
Balance at 31st December 2022	10,591,390	-	649	10,952,039

The notes on pages 6 to 35 are an integral part of these financial statements.

**STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31ST DECEMBER 2022**

	Group 2022	Company 2022
	€	€
Cash flows from operating activities		
Net (loss) / profit before taxation	(1,021)	998
Adjustment for:		
Depreciation	650	-
Finance cost	100	315,754
Interest receivable	(2,175)	(321,527)
Net cash from operating activities	(2,446)	(4,775)
Trade and other receivables	(18,505)	(17,591,867)
Inventories	-	-
Trade and other payables	12,376	101,926
Cash generated from operations	(8,575)	(17,494,716)
Finance cost	(90,562)	(315,754)
<i>Net cash used in operating activities</i>	<i>(99,137)</i>	<i>(17,810,470)</i>
Cashflows from investing activities		
Interest receivable	3	321,527
Investments in subsidiaries	-	(10,948,390)
Impact to cash on acquisition of subsidiaries	1,260,175	-
<i>Net cash from/(used in) investing activities</i>	<i>1,260,178</i>	<i>(10,626,863)</i>
Cashflows from financing activities		
Proceeds from issue of share capital	3,000	10,951,390
Proceeds from bond advanced facility	9,487,843	9,487,843
Movement in shareholders' loan	315	-
Movement in related parties	(17,488,427)	-
Proceeds from bank loan	8,000,000	8,000,000
<i>Net cash (used in)/from financing activities</i>	<i>2,731</i>	<i>28,439,233</i>
Movement in cash and cash equivalents	1,163,772	1,900
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year Note 16	1,163,772	1,900

The notes on pages 6 to 35 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**1. Company's incorporation**

The company was incorporated on 24th January 2022. The financial statements related to the period from 24th January 2022 to 31st December 2022.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the requirements of the Maltese Companies Act, 1995. The financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the director to exercise his judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

Standards, interpretations and amendments to published standards effective in 2022

The Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 24th January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group and the Company.

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The Group does not expect that the new standards, interpretations and amendments will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**2. Summary of significant accounting policies – continued****2.2 Consolidation****Subsidiaries**

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group on 22nd December 2022, and are no longer consolidated from the date of disposal. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. The Group financial statements include the financial statements of the parent Company and all its subsidiaries.

In the Company's financial statements investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from investments are recognised in the profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors, responsible for making strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the capital projects of the Company. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from the development of immovable property.

2.4 Foreign currency translation**(a) Functional and presentation currency**

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in Euro, which is the company's functional currency and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into 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 the statement of comprehensive income. Translation differences on non-monetary items, such as equities, are reported as part of the fair value gain or loss.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

2. Summary of significant accounting policies – continued

2.5 Financial instruments

i. Recognition and initial measurement

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction which either:
 - substantially all of the risks and rewards of ownership of the financial assets are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**2. Summary of significant accounting policies – continued****2.5 Financial instruments – continued****iii. Derecognition - continued****Financial liabilities**

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Impairment**Simplified approach model**

For trade and other receivables, the Company applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 or 24 January 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

2.6 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.7 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**2 Summary of significant accounting policies – continued****2.8 Revenue and cost recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria has been met as described below.

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale.

Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership still rest with the company, are treated as payments received on account and presented within trade and other payables.

Revenue from hospitality related to revenue from accommodation. Revenue from each operation is recognised one time since the customer benefits as the company is performing: the amount allocated to the performance obligation is recognised over the customer's stay at the respective hotel.

Other operating income consisting of the following is recognised on an accruals basis:

Rental income

Interest

Dividends receivables are accounted for on a cash basis

Costs are recognised when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use is completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalized as part of its cost. Borrowing costs are capitalized which acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. All other borrowing costs are recognized as an expense in the profit and loss account in the period as incurred.

2.10 Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

2 Summary of significant accounting policies – continued

2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is 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 liabilities.

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

2.12 Other financial liabilities

Other financial liabilities are recognized initially at fair value of proceeds received, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of other borrowings is recognised in profit or loss over the term of the borrowings, unless the interest on such borrowings is capitalised in accordance with the company's accounting policy on borrowing costs.

2.13 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and subsequently stated at cost less depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation is provided for on the straight line method in order to write off cost over the expected useful economic lives of the assets as follows:

	Years
Computer & Office Equip.	4
Motor Vehicles	5
Furniture & Fittings	10

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**2 Summary of significant accounting policies – continued****2.14 Investment property**

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2.15 Leases

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

As a Lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

The Company leases out its investment property to related parties. All leases are classified as operating leases.

As a Lessee

The Company leases out property from related parties. The Company has classified this lease as an operating lease because it does not transfer substantially all of the risk and rewards incidental to the ownership of the asset.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**2 Summary of significant accounting policies – continued****2.16 Inventory – Stock Development Project**

One of the objects of the Group is the development of land acquired for development and resale. This development is intended in the main for resale purposes and is accordingly classified in the financial statements as stock. Any elements of a project which are identified for business operation or long-term investment properties are transferred at their carrying amount to property, plant and equipment or investment properties when such identification is made, and the cost thereof can reliably be segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost, net realisable value or the fair value as described in the paragraph above. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

- (i) The cost incurred on development works, including demolition, site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security.
- (ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.
- (iii) Any borrowing costs, including imputed interest, attributable to the development phases of the project.

The purchase cost of acquiring the land represents the cash equivalent of the contracted price. This was determined at date of purchase by discounting to present value the future cash outflows comprising the purchase consideration.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.17 Cash and cash equivalents

Cash and cash equivalents as shown in the cashflow statement comprise cash in hand and deposits repayable on demand less bank overdrafts. Bank overdrafts are included in the statement of financial position as borrowings under current liabilities.

2.18 Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the current tax is also dealt within equity.

The charge/credit for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are not assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Provision is made for deferred taxation, using the liability method, in respect of timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax debits are only carried forward in so far as it is probable that future taxable profits will be available against which the tax losses and unabsorbed capital allowances can be utilised.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**3 Financial risk management****Risks relating to the Company****The Company is dependent on the performance of its subsidiaries**

The Company is a finance and holding company of the Group and does not carry out any trading activities of its own. The Company is therefore economically dependent on the performance and financial position of its Subsidiaries. In the event that any Subsidiary underperforms in any one financial year or otherwise experiences adverse fluctuations or volatility in cash flows, liquidity strains or other financial difficulties, such underperformance and, or adverse financial position and operational results would adversely affect the operational and financial results of the Group as a whole and consequently, that of the Company.

As a holding company the majority of the Company's assets consist of the dividends and loan receivables it receives from its Subsidiaries. The distribution of dividends is dependent on the cash flows and earnings of the relevant Subsidiary.

The Company has entered into a loan agreement with Juel Hospitality pursuant to which it advanced amounts to finance its projects.

The ability of Juel Hospitality to make payments of principal and interest to the Company in repayment of the loan granted to it is dependent on the financial position of Juel Hospitality.

Risks relating to the Group**3.1 Economic and Financial risks of the Group***i. Risks relating to the financing of the Group's projects*

The Group's development projects have been part-financed through bank financing with local banks. The Group plans to incur additional debt for the purposes of financing future development projects. Notwithstanding that the Group aims at maintaining its debt-to-equity ratio at prudent levels with corresponding equity being injected at levels considered to be adequate and prudent under current banking practices, a substantial portion of the cash flow generated by the Group is utilised to repay the respective company's debt obligations pursuant to the terms of the facilities provided. Should a Group company significantly increase its debt obligations, this may have an adverse effect on the profitability of the respective company and the Group as a whole.

The agreements regulating the bank debt of the companies forming part of the Group impose significant financial covenants on the borrowing companies. These covenants could limit the ability of the said companies to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Financial risk management – continued

3.1 Economic and Financial risks of the Group – continued

i. Risks relating to the financing of the Group's projects – continued

Changes in banking risk appetite as a result of financial turmoil may decrease the willingness of banks to provide loans to companies and the terms thereof. As a result of the factors detailed herein, a Group company may not be able to obtain the capital and financing it requires for the completion of a project and, or the operation of its business, on commercially viable terms, or at all.

ii. Risks relating to rising costs for materials, resources, and utilities.

The Group operates in both the property industry and the hospitality industry. As part of the property development component of the Group's business, the Group has plans to develop the: (i) The Hyatt Centric Hotel; (ii) Marsascula Development I; and (iii) Marsascula Development II. On completion of the aforementioned projects, the Group will seek additional property development opportunities. As part of the hospitality component of its business, the Group will operate the Hotel. Both industries necessitate the availability of certain resources (including human resources), materials and utilities, at cost-effective prices.

The Group's principal operational risks relate to its ability to deliver projects within agreed project deliverables, including project design specifications, quantity requirements, the involvement of qualified and skilled personnel, adequacy of resources and equipment, technical and industry standards, certification requirements, scheduled programme of works, fitting and finishing specifications and, ultimately, within project budgeted costs and stipulated project deadlines. Non-compliance with the Group's committed projected deliverables could result in significant penalties (including daily penalties for mere delay), fines, pre-liquidated damages, or other damages, and, or early termination of project contracts and related contracts. Furthermore, the Group may be susceptible to liability for costs, expenses, losses, forfeit of or reduction in project revenue, or other liabilities incurred to remedy defects or repairs.

Since the beginning of the year 2020, the prices of raw materials have been subject to substantial increases caused by a combination of heightened market demand and low availability, ongoing global supply chain challenges, increase in shipping costs, shortages in containers, ships, and human resources. Accordingly, a surge in prices has been witnessed for, inter alia, aluminium, steel, copper, oil, wood, and paper. Furthermore, in respect of the Group's hospitality arm, the Group is also exposed to an increase in food prices. Should the volatility in prices continue in an upward trajectory over the rest of the year as well as subsequent years, the Group may be negatively affected if these increased costs are not capable of being reflected in increased charges for the delivery of certain products and services of the Group.

The Group may be unable to maintain an adequate stock of the materials and resources it requires, including the appropriate workforce for the Group's development projects resulting in increased costs and project delays. The Group's inability to comply with its obligations in both the property development and hospitality sectors, could adversely impact the Group's relations with its customers and suppliers, prejudice its goodwill, prejudice its contractual commitments in terms of the Franchise Agreement and, or could result in a material adverse effect on the financial position, financial performance, and operational results of the Group.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**3 Financial risk management – continued****3.1 Economic and Financial risks of the Group – continued***iii. Risks relating to aversion to travel due to the war in Ukraine.*

In response to the invasion of Ukraine by Russia, several industries implemented boycotts, bans and other forms of retaliation against Russia. With regards to the travel industry, a reduction in tourist arrivals (irrespective of nationality) may stem from a greater aversion to travel in times of political unrest and threats of conflict and war in other countries. Travellers may be reluctant to leave their home countries due to the uncertainty of the international situation and or may postpone any travel arrangements to a future date amid the ongoing crisis. Other events which could bring about a reduction in travel include actual or threatened acts of terrorism and civil unrest.

The availability of flights at affordable rates may influence one's decision to travel to Malta over other destinations, specifically destinations which offer a similar experience. As a result of the invasion of Ukraine by Russia and the retaliatory efforts of other countries, the price of oil and gas soared and in turn fuel prices experienced an all-time high, potentially implying a greater cost for airlines. Increased costs for airlines may be subsequently borne by consumers through an increase in flight prices, rendering air travel more costly for interested travellers and thus serving as a deterrent for travel in general.

The exact duration and effects of the war in Ukraine and the financial and economic effects it will have on international travel and the local hospitality and tourism industry are inherently difficult to predict with any degree of accuracy. Consequently, the Group's business, operations, and financial performance remain susceptible to the risk of an increased aversion or appetite to travel directly or indirectly related to the effects of the war in Ukraine.

3.2 Operational risks of the Group*i. Risks relating to the Franchise Agreement*

The Hotel will form part of the "HYATT CENTRIC®" chain of hotels, a reputable international brand which has hotels across the globe. Juel Hospitality shall operate the Hotel under the "HYATT CENTRIC®" brand in terms of the Franchise Agreement. Pursuant to the Franchise Agreement, the Franchisor granted Juel Hospitality the non-exclusive right and obligation to use certain intellectual property of the Franchisor (including the "HYATT CENTRIC®" brand) as well as its systems. Juel Hospitality (as franchisee) is required to comply with certain conditions as part of the Franchise Agreement, including but not limited to: (i) the timely construction, maintenance and opening of the Hotel; (ii) the satisfaction of performance thresholds under quality assurance programs to which it is subject under the Franchise Agreement; and (iii) compliance with certain required standards under the Franchise Agreement. The breach of any of the conditions in the Franchise Agreement could result in the termination of the Franchise Agreement prior to the expiration of its term or the suspension thereof. Moreover, the Franchisor may impose penalties seek to claim damages suffered as a result of the breach of any of the conditions of the Franchise Agreement. Accordingly, the success of the Hotel operations is dependent on the continuity of the contractual relationship with the Franchisor.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Financial risk management – continued

3.2 Operational risks of the Group – continued

i. Risks relating to the Franchise Agreement – continued

Should the Franchise Agreement be terminated or not renewed, the profitability and financial condition of the Group may be materially adversely affected in view of its inability to benefit from the reputation and standards of the “HYATT CENTRIC®” brand.

ii. Risks relating to the loss of senior management and other key personnel

The Group believes that its growth is partially attributable to the efforts and abilities of its executive director, Adrian Muscat, and other key personnel, including members of senior management, sales, investment, and project management personnel and upon its ability to attract, develop and retain such key personnel to manage and grow the business.

If one or more of the members of this team were unable or unwilling to continue in their present position, particularly if such members are lost to competitors of the Group, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group’s business, financial condition, and results of operations.

iii. Risks relating to competing projects

The local hospitality industry is highly competitive given the variety of temporary accommodation available on the market. Accordingly, once completed, the Hotel may compete with local hotels and facilities offering various types of lodging options and related services to the public. Although the Hotel gives a level of comfort through Hyatt Brand loyalty, there can be no assurances that the Hotel will not have strong competitors in the future in the surrounding areas in which it operates.

The Group’s activities in the property development and rental sectors are also susceptible to competitive forces given the large number of properties and developments available on the local market. Should there be an increase in similar property developments which are of a similar quality and type to those being constructed, sold, or leased by the Group, particularly where such competing developments are available at cheaper prices, the Group may be unable to sell or otherwise lease the units, garages and, or developments (as applicable) forming part of the Group’s property portfolio, in a cost-effective and efficient manner.

A reduction in reservations for hotel accommodation and, or the sale of units and prices which are lower than that projected may adversely effect the Group’s business, financial condition, and results of operations.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Financial risk management – continued

3.2 Operational risks of the Group – continued

iv. Risks relating to changes in consumer preferences and demand

The Group’s success in the property development, rental and hospitality sectors is dependent on its ability to offer products and services that have a strong consumer appeal. Such sectors are susceptible to fluctuations in consumer trends because of changes in taste, consumer habits, general economic conditions, social trends, consumer attitude, consumer satisfaction and any other similar factors which are linked to consumer demand. The property market, whether for resale or letting purposes, is subject to changing preferences in the style and location of immovable properties. In the case of the hospitality sector, consumer preferences are largely determined by brand image and reputation. Brand images are key to the business of the Group and thus the inability to maintain a positive brand image could have a material adverse effect on the Group’s revenue and results of operations. It cannot be predicted whether advertising, marketing and promotional programs will have the desired impact on its products’ and services’ branding and on consumer preferences.

The Group’s success in such sectors is dependent on its ability to swiftly anticipate, capitalise and adapt to changes in consumer attitude and preferences. Should the Group fail to do so, it may experience a reduction in revenue which could have a material adverse effect on its operational results and financial condition.

v. Risks relating to the Group’s insurance policies

No assurance can be given that the Group’s current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates. In addition, changes in legislation or judicial interpretation, or the issuance or alteration of directives, orders, or other measures (whether interim or otherwise), by the relevant authorities may impact the ability to recoup losses under insurance coverage held by the Group. Furthermore, the actions, or inactions of employees or other officials of the Group, or of contractors, sub-contractors, outsourcing parties, or other third parties engaged by the Group from time to time, may affect the ability of the Group to successfully make a claim under its insurance policies.

3.3 Risks specific to the property sector

The Group is heavily invested in the property acquisition, development, and management markets, which are constantly evolving market segments characterised by specific risks and uncertainties. The Group is thus intrinsically susceptible to the risks associated with activities in these market segments. The occurrence of any of the factors referred to below could negatively affect the Company’s financial condition and results.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**3 Financial risk management – continued****3.3 Risks specific to the property sector – continued***i. Risks relating to property development and the construction industry*

The Group undertakes activities in the property development and construction industry. As detailed above, the Group has plans to develop the: (i) Hyatt Centric Hotel; (ii) Marsascala Development I; and (iii) Marsascala Development II.

Pursuant to such activities, the Group is subject to several specific risks, including:

- (a) the risk of delays, including albeit not limited to delays in obtaining any necessary permits and cost overruns;
- (b) the possibility of delays pursuant to a strain on the availability of human and other capital resources required for the development and completion of such projects resulting from heightened levels of activity in the sector;
- (c) covenants, conditions, restrictions, and easements relating to the properties or their use, whether arising out of law, contractual arrangement, or orders or other decisions of the competent judicial or government authorities;
- (d) government restrictions concerning the free movement of people and goods, which might result in delays or changes in terms of established trade supply routes, changes in macro-economic conditions, as well as market and regulatory changes affecting the construction and property development processes.

The occurrence of any of the risk factors described above could have a material adverse effect on the Group's business, financial condition, and results of operations, including the increase of projected costs and times for completion of ongoing development projects.

ii. Risks relating to the sale of property

The Group's business contemplates the construction and finishing of property developments and the subsequent sale or rental of the individual units / garages / car spaces forming part of such property developments. Whilst the Group's activities in this sector, have been largely successful, there can be no assurance that the Group will be able to sell future developments in a profitable and efficient manner on account of: (a) market conditions; (b) the size and, or value of the property development; (c) specific local market conditions; (d) regulatory risks including, albeit not limited to, the delay in obtaining or the inability to obtain the necessary permits (e) other local or international economic factors influencing the Group's operations or assets. It may also prove necessary to dispose of houses / units / garages / car spaces at values which management considers to be reasonable in the circumstances prevailing at the time, but which represent discounts to book values or earlier property valuation reports, in order to be able to meet long-term strategy and financing objectives.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Financial risk management – continued

3.3 Risks specific to the property sector – continued

iii. Risks relating to the engagement and, or the involvement of third parties in connection with the Group’s business and associated counterparty risks

The Group relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of its developments. The Group has engaged, and shall continue to engage, the services of third-party contractors for the purposes of the Hotel, including the excavation and construction of the Hotel in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Group’s expectations and in accordance with their contractual obligations. If these risks were to materialise, this will result in delays in the development and completion of the Hotel as well as other development projects undertaken by the Group, which could have an adverse impact on the Group’s business, its financial condition, results of operations and prospects. Delays in the development and completion of the Hotel could have a material adverse impact on the Company’s cash flows and revenue generation.

iv. Risks relating to the rental income of the property retained by the Group

The Group has a property portfolio of over 30 units which it leases under the “StayMela” brand. Given that the majority of the Group’s customers are tourists, the revenue generated from such rental activities is dependent on the number and frequency of people travelling to Malta. Therefore, the risks attributable to the hospitality and tourism industry apply to the Group’s rental activities under the “StayMela” brand.

v. Risks relating to property valuations and net realisable value

The valuations are prepared by independent qualified architects in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (‘RICS’). However, the valuation of property is intrinsically subjective and based on several assumptions at a given point in time. In providing a market value of the respective property, the architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. Subsequently, the Group may purchase and, or have purchased property based on inaccurate valuations. Moreover, property valuations are largely dependent on current and, or, expected market conditions which may fluctuate from time to time. There can be no assurance that the property valuation and property-related assets will reflect actual market values.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**3 Financial risk management – continued****3.4 Risks specific to the hospitality and tourism industry**

The Group's activities in the hospitality and tourism industries comprise the operation of the Hotel once completed and its rental activities under the brand "StayMela". The hospitality and tourism industries are susceptible to several factors which may impact the operations and revenue of owners and operators alike. Such factors include as follows:

- changes in travel patterns or seasonal variations, as well as consumer preferences concerning price, quality, location, and type of hospitality packages;
- any cutbacks and stoppages on Malta-bound air or sea travel routes, or increases in taxes, surcharges and other expenses associated therewith, as well as the imposition of travel restrictions, bans or other measures by the relevant authorities;
- changes in laws and regulations, including those concerning the management and operation of hotels and other hospitality outlets, employment, catering and entertainment establishments, health and safety, alcohol licensing, environmental concerns, fiscal policies and zoning and development, and the related costs of compliance.
- the maintenance of licences and other authorisations, as may be required from time to time, to operate and manage hospitality establishments;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures, or other travel restrictions), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increased competition from providers of alternative accommodation, including web-based booking channels that allow private accommodation to be made available by private individuals or via online peer-to-peer platforms, and other hospitality models such as bed and breakfasts (B&Bs), room-sharing and flexi-renting, and short-term lets of private property which may be offered at competitive rates.

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels at the Hotel and, or the reservation of the residential units available for rent under the "StayMela" brand. In turn, this may cause a reduction in the income generated from the Group's hospitality division which would have a material adverse effect on the Group's business, financial condition, and results of operations and, in turn, on its ability to meet its obligations on time and in full.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022**3 Financial risk management – continued****3.5 Legal, regulatory and compliance risks***i. Risks relating to the regulatory environment in which the Group operates*

The Group's activities in the construction and development industry, as well as the Group's activities in the hospitality industry (including the rental of property under the "StayMela" brand and its operation of the Hotel, once complete), are subject to a vast array of rules and regulations, including but not limited to, environmental protection, property and rental law, construction, property acquisition, property development, consumer law, health, fire, and safety, among others. Furthermore, the regulatory environment in which the Group operates is constantly evolving, with the introduction of new rules and regulations, or the amendment or overhaul of existing ones. In addition, the Group is susceptible to changes in the application and, or interpretation of such rules and regulations, whether as a result of judicial interpretation or due to decisions, orders, directives, and, or guidelines issued by the competent regulatory authorities.

Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a property investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realized, could have a material adverse effect on the Group's business, financial condition, and results of operations in the property development sector.

The inability of the Group to meet its ongoing regulatory and legal requirements, whether in whole or in part, or the inability of the Group to equip itself to comply with forthcoming legislation or regulation in a timely and suitable manner, may expose the Group to the risk of regulatory sanctioning, including but not limited to, the imposition of public reprimands, administrative or punitive fines or penalties, temporary suspension of activities, or even revocation of licences, permits, or other authorisations, whether in whole or in part. In addition, lack of compliance with legal and regulatory requirements may negatively affect the reputation and goodwill of the Group and may result in a loss of existing or potential business, and, or a weakened competitive advantage. If any of these risks were to materialise, they could have a material adverse effect on the operational results, financial performance, and financial position of the Group.

ii. Risks relating to personal data protection and privacy laws.

In the ordinary course of its activities, particularly with respect to the Group's hotel operations once the Hotel is completed, the Group receives, processes, transmits and stores information relating to identifiable individuals ("personal data"). As a result, the Group is subject to various local laws and EU regulations relating to the collection and processing of personal data. These laws impose operational requirements for companies receiving or processing personal data and provide for significant penalties for non-compliance. These requirements with respect to personal data have subjected and may continue in the future to subject the Group to, among other things, additional costs and expenses and have required and may in the future require costly changes to their business practices and information security systems, policies, procedures, and practices.

Security controls over personal data, the training of employees on data privacy and data security, and the policies, procedures, and practices implemented, or which may be implemented in the future, may not prevent the improper disclosure of personal data by the Group.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

3 Financial risk management – continued

3.5 Legal, regulatory and compliance risks – continued

ii. *Risks relating to personal data protection and privacy laws – continued*

Unauthorized access or improper disclosure of personal data in violation of personal data protection or privacy laws could harm the reputation of the Group, cause loss of consumer confidence, subject it to regulatory enforcement actions (including fines), and result in private litigation against the Group and, or Group companies, which could result in loss of revenue, increased costs, liability for monetary damages, fines and, or criminal prosecution, all of which could negatively affect the business and operating results of the Group.

3.6 Risks relating to the failure to implement environmental, social and governance considerations in the Group's business model

There is a growing expectation for companies to implement sustainability risks and consider sustainability factors in their day-to-day management and their decision-making process. With an increased emphasis on environmental, social and governance ("ESG") considerations at global level, the implementation of sustainable factors in the Company's business model is likely to become under increased scrutiny by investors, regulators, and the public at large.

The Group's business entails three main sectors of operation: property development, rental of property and hospitality. ESG considerations for the purposes of the Group's business may include, but are not limited to, energy performance, energy and resource efficiency, waste management, energy and water use, the use of renewables, as well as social and employment considerations of workers and the health and safety thereof.

In particular, risks relating to the impact of climate change, through physical and transitional channels, including but not limited to, physical risks related to severe weather events, the rise in sea level, and other natural disasters; and transition risks attributable to regulatory, technological, and market or pricing changes, could have economic, operational and financial impacts on the Group, and accordingly the failure by the Group to manage these risks over the short, medium, and long term could have a material adverse effect on the Group's business operations, financial performance and prospects.

From a governance perspective, risks may arise relating to lack of skilful management or good governance within the Group and the inadequacy of proper control. Said risks cover a wide spectrum of areas including financial crime, regulatory compliance, fraud, systems, and processes which would in turn affect income and capital. Failure to manage these risks may result in negative impacts on the Group's business and reputation.

Should the Group fail to operate its business in each sector in a sustainable manner, the failure to implement sustainable factors in the Group's business operations may also have a material adverse effect on the Group's reputation and public image in each sector as well as its relationship with clients, suppliers, business partners (including the Franchisor) and other stakeholders. This in turn, may have a material adverse impact on the Group's business activities, revenues, financial condition, and operations.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

4 Turnover

The group turnover was of €5,404 for the period from 23rd December 2022 to 31st December 2022.

5 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging:

	Group 2022 €	Company 2022 €
Director's fee	-	-
Employment costs - Note 6	1,800	-
Depreciation - Note 10	650	-
Audit fees – Annual statutory audit	1,650	1,500

6 Employees

	Group 2022 €	Company 2022 €
Employment cost comprise:		
Wages and salaries – allocated to cost of sales	1,650	-
Social security costs – allocated to cost of sales	150	-
	1,800	-

The average weekly number of persons employed by the group during the year was

	6	-
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NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

7 Finance costs

	Group 2022 €	Company 2022 €
Finance costs		
Finance costs incurred during the period	315,754	315,754
Finance costs recharged to related parties	(315,654)	-
	<u>100</u>	<u>315,754</u>
Finance costs allocated to cost of sales		
Interest capitalised during the period	122,441	-
At 31 st December	(122,441)	-
Charge of capitalised interest for the period	<u>-</u>	<u>-</u>

8 Investment income

	Group 2022 €	Company 2022 €
Interest from Maltese banks	134	-
Interest receivable from related parties	2,043	321,527
	<u>2,177</u>	<u>321,527</u>

9 Tax expense

The company's tax charge for the year has been arrived as follows:

	Group 2022 €	Company 2022 €
Current income tax	349	349
Deferred tax credit	(2,597)	-
Tax charge	<u>(2,247)</u>	<u>349</u>

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

9 Tax expense - continued

The accounting profits and the tax charge for the year are reconciled as shown hereunder:

	Group 2022 €	Company 2022 €
Net (loss) / profit for the year	(1,021)	998
Income tax thereon 35%	(359)	349
Expenses disallowed for tax purposes	(1,888)	-
	<u>(2,247)</u>	<u>349</u>

10 Property, plant and equipment

Group		Land & Buildings €	Computer & equipment €	Motor vehicles €	Furniture & Fittings €	Total €
Cost						
Acquisitions through subsidiaries		20,880,753	16,836	19,600	289,086	21,206,275
At 31 st December 2022		<u>20,880,753</u>	<u>16,836</u>	<u>19,600</u>	<u>289,086</u>	<u>21,206,275</u>
Depreciation						
Acquisitions through subsidiaries		-	6,855	11,685	58,534	77,074
Charge for the year		-	54	75	521	650
At 31 st December 2022		<u>-</u>	<u>6,909</u>	<u>11,760</u>	<u>59,055</u>	<u>77,724</u>
Net book value						
At 31 st December 2022		<u>20,880,753</u>	<u>9,927</u>	<u>7,840</u>	<u>230,021</u>	<u>21,128,541</u>

11 Investment property

The market value of the immovable property as at 31st December 2022 amounted to €10,700,000. The amount of €10,700,000 was based on a valuation of the property carried out by an independent architect in March 2022. The increase in fair value was accounted for through profit and loss.

12 Deferred tax liability

The deferred tax liability of €856k arose mainly from the deferred tax effect on the revaluation of the investment property.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

13 Investments in subsidiary undertakings

	Group 2022 €	Company 2022 €
Shares in subsidiary undertakings		
Muscat Holdings Limited (C77653) - 200,000 ordinary shares of €1 each representing 100 % holding (Avian Hill, Triq L- Ispanjulett C/W Triq Il-Gallina, Kappara, San Gwann)	-	7,107,514
Muscat Holdings (II) Limited (C89275) – 100,000 ordinary shares of €1 each representing 100 % holding (Avian Hill, Triq L- Ispanjulett C/W Triq Il- Gallina, Kappara.)	-	1,921,328
JUEL Holdings Limited (C92861) – 1,200 ordinary shares of €1 each representing 100 % holding (Avian Hill, Triq L- Ispanjulett C/W Triq Il- Gallina, Kappara.)	-	1,904,436
JUEL Hospitality Limited (C100482) – 20,000 ordinary shares of €1 each representing 100 % holding (Avian Hill, Triq L- Ispanjulett C/W Triq Il- Gallina, Kappara.)	-	15,112
Total	-	10,948,390

14 Inventory – Development project

	Group 2022 €	Company 2022 €
Property cost of land and development costs	6,065,724	-
Capitalised borrowing costs (See Note 7)	122,441	-
	6,188,165	-

15 Trade and other receivables

	Group 2022 €	Company 2022 €
Trade receivables	1,850	-
Other receivables	84,760	-
Prepayments & accrued income	4,734	-
Amount due from shareholders	773,973	-
Other taxation	51,293	-
	916,610	-

The amounts due from shareholders are interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS – 31ST DECEMBER 2022

16 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise:

	Group 2022 €	Company 2022 €
Cash in hand	10,804	-
Bank deposits	1,152,968	1,900
	<u>1,163,772</u>	<u>1,900</u>

17 Share capital

	Group 2022 €	Company 2022 €
Authorised		
19,999,999 Ordinary 'A' Shares of a nominal value of €1 each	19,999,999	19,999,999
1 Ordinary 'B' Shares of a nominal value of €1 each	1	1
	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid up		
10,951,389 Ordinary 'A' Shares of a nominal value of €1 each	10,951,389	10,951,389
1 Ordinary 'B' Share of a nominal value of €1 each	1	1
	<u>10,951,390</u>	<u>10,951,390</u>

18 Other financial assets

	Group 2022 €	Company 2022 €
Amounts receivable from related party – Maturity date 2034	-	17,591,867
	<u>-</u>	<u>17,591,867</u>

The amount receivable from related party amounts to €17,591,867, is repayable in a period of 12 years at an interest rate of 5.525%.

19 Other equity

The Other Equity of €17,970 related to the loss arising from the acquisition of the subsidiaries within the Group.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

20 Earnings per share

Earning per share is calculated by dividing the result attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year:

	Group 2022 €	Company 2022 €
Profit for the year	1,222	649
Weighted average share in issue	915,116	915,116
Earnings per share	-	-

21 Borrowings

	Group 2022 €	Company 2022 €
Short term – falling due within one year		
Bank loans	8,000,000	8,000,000
Total short term borrowings	8,000,000	8,000,000
Long term – falling due after one year		
Bank loans	6,063,777	-
Total long term borrowings	6,063,777	-

As at 31st December 2022, the parent company has a bank loan of €8,000,000 which was granted to inject funds in one of the subsidiaries to finance the acquisition of part of the property of the hotel. The interest rate is at 4% per annum. Repayments are to be made from proceeds of the bond issue as laid out in the repayment terms in the sanction letter. The loans are guaranteed by the subsidiaries and its shareholder, which have bound themselves jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

As at 31st December 2022, one of the subsidiaries had a bank loan of €3,263,777 which was granted to end-finance the acquisition and the development of the two Marsascala projects. The interest rate is at 3.75% per annum. Repayments are to be made from proceeds from the sale of property of Muscat Holdings (II) Limited as laid out in the repayment terms in the sanction letter. The loans are guaranteed by Muscat Holdings (II) Limited and its shareholders, which have bound themselves jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

As at 31st December 2022, another subsidiary had a bank loan €2,800,000 which was taken to part-finance the development of the hotel. The interest rate is at 4% per annum. Repayments are to be made over 15 years by monthly instalments as laid out in the repayment terms in the sanction letter. The loans are guaranteed by Muscat Holdings Limited and JUEL Holdings Limited, which have bound themselves jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

22 Bond advance facility

The Bond Advance facility at the end of the year was as follows:

	Group	Company
	2022	2022
	€	€
Bond advanced facility	<u>9,487,843</u>	<u>9,487,843</u>

The company is seeking to issue a Bond to refinance part of its current debt facilities and other future requirements.

23 Creditors

	Group	Company
	2022	2022
	€	€
Trade and other payables		
Trade creditors	468,716	-
Other creditors	1,297,174	-
Accruals	104,811	96,611
	<u>1,870,701</u>	<u>96,611</u>
Other Financial liabilities		
Amounts due to shareholders	15,749	315
Amounts due to related parties	2,850,579	5,000
	<u>2,866,328</u>	<u>5,315</u>
Total Trade and other creditors	<u>4,737,029</u>	<u>101,926</u>

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

24 Transactions with related parties

All companies forming part of JUEL Group Limited and Gap Group plc are considered by the director to be part of the group of Companies. Companies having the same shareholders and director are considered by the director to be related parties.

During the course of the period, the company entered into transactions with related undertakings all of which arise in the ordinary course of business. The related party transactions were:

	Group 2022 €	Company 2022 €
Other financial assets		
Amounts receivable from related party – Maturity date 2034	-	17,591,867
Trade and other receivables		
Amounts due from shareholders	773,973	-
Other financial liabilities		
Amounts due to shareholder	15,749	315
Amounts due to related parties	2,850,579	5,000

25 Post balance sheet event

The company is seeking to issue a Bond to refinance part of its current debt facilities and other future requirements.

26 Capital commitments

Following the post-balance sheet event relating to the proposed issue of the bond by the Company, the bond is to be guaranteed by one of its subsidiaries.

The bond will be fully secured via a special hypothec over the property held by one of the subsidiaries.

27 Statutory information

JUEL Group Limited is a limited liability company and is incorporated in Malta, with its registered address at Avian Hill, Triq L- Ispanjulett C/W Triq II- Gallina, Kappara, San Gwann.