

Muscat Holdings (II) Limited

Annual Report

For the year ended 31st December 2020

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General information

Registration

Muscat Holdings (II) Limited is registered in Malta as a limited liability company under the Companies Act, (Cap. 386) with registration number C 89275.

Directors

Adrian Muscat

Company secretary

Adrian Muscat

Registered office

Cascades, Block A, Flat 6
Triq Dun Karm Lia,
Lija LJA 1411
Malta

Auditor

Pamela Fenech CPA FIA Dip Tax MEnt (Melit)
1, Tal-Providenza Mansions
Main Street
Balzan
Malta

Directors' responsibilities
For the year ended 31st December 2020

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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

Approved by the Directors on behalf of the Board hereunder:



Adrian Muscat
Director

Date : 30 July 2021

INCOME STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2020

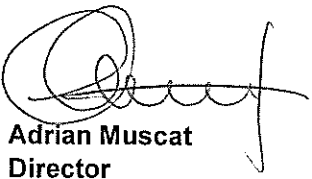
	Notes	2020 €	2019 €
Revenue		-	-
Cost of sales		-	-
Gross Loss		-	-
Administrative expenses		(3,471)	(2,072)
Loss before taxation	3	(3,471)	(2,072)
Income tax expense		-	-
Loss for the year		(3,471)	(2,072)

BALANCE SHEET - 31st DECEMBER 2020

	Notes	2020 €	2019 €
ASSETS			
Current assets			
Inventories	4	5,425,027	3,888,347
Trade and other receivables	5	4,240	4,240
Cash and bank balances		34,179	92,511
		<u>5,463,446</u>	<u>3,985,098</u>
Total Assets		<u>5,463,446</u>	<u>3,985,098</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		1,200	1,200
Accumulated losses		(5,543)	(2,072)
Total equity		<u>(4,343)</u>	<u>(872)</u>
Non-current liabilities			
Bank loans	6.1	3,215,760	2,718,725
Total non-current liabilities		<u>3,215,760</u>	<u>2,718,725</u>
Current liabilities			
Trade and other payables	7	1,194,898	231,838
Other financial liabilities	7	1,057,131	1,035,407
Total current liabilities		<u>2,252,029</u>	<u>1,267,245</u>
Total liabilities		<u>5,467,789</u>	<u>3,985,970</u>
Total equity and liabilities		<u>5,463,446</u>	<u>3,985,098</u>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 10.

The financial statements on pages 3 to 10 were approved by the board of directors and were signed on its behalf by:


Adrian Muscat
Director

Date : 30 July 2021

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

1 Basis of preparation

1.1 Basis of measurement and statement of compliance

The financial statements of Muscat Holdings Limited ("the Company") have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). The financial statements have been prepared on the historical cost basis. These financial statements present information about the company as an individual undertaking.

1.2 Functional and presentation currency

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

2 Significant accounting policies

2.1 Financial assets, financial liabilities and equity

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

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

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

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

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

i. Trade and other receivables (excluding non-financial assets included in this line item)

Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment;

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Significant accounting policies (continued)

2.1 Financial assets, financial liabilities and equity (continued)

ii. Trade and other payables (excluding non-financial liabilities included in this line item)

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

iii. Bank borrowings

Subsequent to initial recognition, interest bearing loans are measured at the amortised cost using the effective interest method. Bank loans are carried at their face value due to their market rate of interest.

iv. Share capital issued by the Company

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

2.2 Inventories - Property development project

The main object of the Company 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 and net realisable value. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Significant accounting policies (continued)

2.3 Impairment

The Company's financial assets are tested for impairment.

i. Financial assets

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

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

2.4 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes. Bank overdrafts, which are repayable on demand and form an integral part of the Company's cash management, and are presented in current liabilities in the balance sheet.

2.5 Investment property

Investment property is stated at cost. Freehold property or property held on perpetual emphyteusis are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

2 Significant accounting policies (continued)

2.6 Income taxes

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

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

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

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

2.7 Income

Sale of property held for Development and resale

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the inflow of economic benefits associated with the transaction is probable. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates allowed by the entity.

Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is recognised on an accrual or time proportion basis.

2.8 Borrowing costs

Borrowing costs, including those costs that are directly attributable to the acquisition, construction or production of qualifying assets, are recognised as an expense in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

3 Profit before tax

Total remuneration paid to the Company's auditors during the year amounts:

	2020	2019
	€	€
Audit fees	1,800	1,600

The company did not employ any persons.

4 Inventories

	2020	2019
	€	€
Stock of properties held for development and resale	5,425,027	3,888,347
	5,425,027	3,888,347

5 Trade and other receivables

	2020	2019
	€	€
Prepayments	4,240	4,240
	4,240	4,240

6 Borrowings

6.1 Non-current liabilities

Borrowings included under current liabilities on the balance sheet comprise the following amounts:

	2020	2019
	€	€
Long term - falling due after one year		
Bank loans	3,215,760	2,718,725
Total long term borrowings	3,215,760	2,718,725

The company has loan facilities of €3,215,760 (2019 - €2,718,725) which bear interest at 4.00% on the withdrawn amount per annum. Loans are to be paid as waivers from sales.

The facilities are secured by general and special hypothecs over the company's assets.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2020

7	Trade and other payables	2020	2019
		€	€
	Trade creditors	42,579	24,502
	Advanced deposits	533,975	42,000
	Accruals	618,344	165,336
		<u>1,194,898</u>	<u>231,838</u>
	Other financial liabilities		
	Amounts due to shareholders	18,260	9,850
	Amounts due to related parties	1,038,871	1,025,557
		<u>1,057,131</u>	<u>1,035,407</u>
	Total trade and other creditors	<u>2,252,029</u>	<u>1,267,245</u>

8 Transactions with related parties

8.1 *Transactions with related parties*

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

	Transaction value for the year ended		Balance outstanding as at	
	31st December		31st December	
	2020	2019	2020	2019
	€	€	€	€
<i>Amounts due to shareholders</i>	<u>8,410</u>	<u>-</u>	<u>18,260</u>	<u>9,850</u>
<i>Amounts due to related parties</i>	<u>13,314</u>	<u>-</u>	<u>1,038,871</u>	<u>1,025,557</u>

The balances owed to shareholders and related parties are unsecured, interest free and repayable on demand.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Muscat Holdings (II) Limited. Report on the Audit of the Financial Statements.

Opinion

I have audited the financial statements of Muscat Holdings (II) Limited, (the Company) set out on pages 3 to 10, which comprise the balance sheet as at 31st December 2020, the income statement, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Company as at 31st December 2020, and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations(GAPSME) and have been properly prepared in accordance with the requirements of the 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.

Responsibilities of the Directors

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

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

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.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Muscat Holdings (II) Limited. Report on the Audit of the Financial Statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

Under the Companies Act (Chap. 386), I am also obliged to report to you if, in my opinion:

- The information given in the Report of the Director is not consistent with the financial statements.
- 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.
- Certain disclosures of director's remuneration specified by law are not made in the financial statements, giving the required particulars in my report.

I have nothing to report to you in respect of the responsibilities listed here above.



Pamela Fenech CPA FIA Dip Tax MEnt (Melit)

Certified Public Accountant

1, Tal-Providenza Mansions

Main Street

Balzan

Malta

Date : 30 July 2021

**TRADING INCOME AND EXPENSES
FOR THE YEAR ENDED 31st DECEMBER 2020**

	2020 €	2019 €
Property Trading Income and Expenses		
Sales		
Sale of property held for Development and resale	-	-
	-	-
Cost of sales		
Property held for Development & Resale at beginning of period	3,791,736	-
Development expenses	1,382,370	3,791,736
Property held for Development & Resale at end of period	(5,174,106)	(3,791,736)
	-	-
Gross profit on property development	-	-
Administration expenses		
Professional fees	406	118
Legal fees	1,180	-
Audit fees	1,800	1,600
Company registration fee	85	354
	3,471	2,072
TOTAL OPERATING LOSS FOR THE YEAR	(3,471)	(2,072)
OTHER INCOME / EXPENSES		
Interest and other similar charges		
Capitalised interest at 1st January	96,611	-
Bank Loan Interest	154,310	96,611
Capitalised interest at 31st December	(250,921)	(96,611)
	-	-
LOSS FOR THE YEAR	(3,471)	(2,072)