

Muscat Holdings (II) Limited

FINANCIAL STATEMENTS

31st DECEMBER 2021

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DIRECTOR'S REPORT

FOR THE YEAR ENDED 31st DECEMBER 2021

The directors present their report and the audited financial statements of Muscat Holdings (II) Limited for the year ended 31st December 2021.

Principal Activities

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

The principal activity of the company is the holding of property held for development and resale.

Review of business

During the current year, the company made a gross profit of Eur 2,412,834 (2020 - nil) and profit before taxation of Eur2,142,091 (2020 – loss of Eur3,471). The company incurred administration expenses of Eur270,875 (2020 - Eur3,471).

Results and dividends

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

The Director does not recommend the payment of a final dividend.

Director

The Director of the company as at 31st December 2021 who held office throughout the year was:-

Adrian Muscat

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

Auditor

The auditor, Ms Pamela Fenech CPA FIA Dip Tax MEnt (Melit) has expressed her willingness to continue in office and a resolution proposing her reappointment will be put before the members at the next annual general meeting.

Approved by the Director on behalf of the Board hereunder:



Adrian Muscat
Director

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

Date : 11 May 2022

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Statement of the Directors' Responsibilities

The directors are required by the Maltese Companies Act 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial period and of its income statement for that period. In preparing the financial statements, the directors are required to:-

- ensure that the financial statements have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU;
- make judgments and estimates that are reasonable and prudent;
- ensure that applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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 Maltese Companies Act 1995. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the company are properly safeguarded and that fraud and other irregularities will be prevented or detected.

Approved by the Director on behalf of the Board hereunder:



Adrian Muscat
Director

Date : 11 May 2022

Independent auditor's report

To the Shareholders of Muscat Holdings (II) Limited.

Report on the Audit of the Financial Statements for the year ended 31st December 2021.

Opinion

I have audited the financial statements of Muscat Holdings (II) Limited (the company), set out on pages 10 to 23 which comprise the statement of financial position as at 31st December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Muscat Holdings (II) Limited as at 31st December 2021, and of the Company's financial performance and its cash flows for the year 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.

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

The directors are responsible for the other information. The other information comprises the directors' report and the statement of the Directors' 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 Directors' 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

The Directors' 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 Directors' report.

Independent auditor's report

To the Shareholders of Muscat Holdings (II) Limited.

Responsibilities of the Directors

The directors are 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 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.

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.
- 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 Muscat Holdings (II) Limited.

Report on Other Legal and Regulatory Requirements

I also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. My responsibilities do not extend to any other information.

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 Directors is not consistent with the financial statements.

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

Pamela Fenech CPA FIA Dip Tax MEnt (Melit)
Certified Public Accountant

1, Tal-Providenza Mansions
Main Street
Balzan
Malta
Date: 11 May 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31st DECEMBER 2021

	Notes	2021 €	2020 €
Turnover	3	8,744,500	-
Cost of sales		<u>(6,331,666)</u>	-
Gross profit		2,412,834	-
Administrative expenses		<u>(270,785)</u>	<u>(3,471)</u>
Operating profit / (loss)		2,142,049	(3,471)
Investment income	7	<u>42</u>	-
Profit / (loss) before taxation	4	2,142,091	(3,471)
Tax expense	8	<u>(430,630)</u>	-
Profit / (loss) for the year		<u>1,711,461</u>	<u>(3,471)</u>
Total Comprehensive income / (loss)		<u>1,711,461</u>	<u>(3,471)</u>
Earnings per share		<u>17.11</u>	<u>0.00</u>

The notes on pages 10 to 23 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2021

	Notes	2021 €	2020 €
ASSETS			
Current assets			
Inventory - Development project	9	266,000	5,425,027
Trade and other receivables	10	1,308,202	4,240
Cash and bank balances	11	1,748,511	34,179
		<u>3,322,713</u>	<u>5,463,446</u>
Total Assets		<u>3,322,713</u>	<u>5,463,446</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	100,000	1,200
Retained earnings / (Accumulated losses)		1,705,918	(5,543)
Total equity		<u>1,805,918</u>	<u>(4,343)</u>
Current liabilities			
Bank overdraft and loans	14	-	3,215,760
Trade and other payables	15	536,020	1,194,898
Other financial liabilities	15	980,775	1,057,131
Total current liabilities		<u>1,516,795</u>	<u>5,467,789</u>
Total liabilities		<u>1,516,795</u>	<u>5,467,789</u>
Total equity and liabilities		<u>3,322,713</u>	<u>5,463,446</u>

The notes on pages 10 to 23 are an integral part of these financial statements.

The financial statements on pages 6 to 23 were approved by the board of directors and were signed on its behalf by:


Adrian Muscat
Director

Date : 11 May 2022

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2021

	Share Capital €	Profit and Loss Account €	Total €
Balance at 1st January 2020	1,200	(2,072)	(872)
Comprehensive loss Loss for the year	-	(3,471)	(3,471)
Balance at 31st December 2020	1,200	(5,543)	(4,343)
Balance at 1st January 2021	1,200	(5,543)	(4,343)
Comprehensive income Profit for the year	-	1,711,461	1,711,461
Transactions with owners Issue of share capital	98,800	-	98,800
Balance at 31st December 2021	100,000	1,705,918	1,805,918

The notes on pages 10 to 23 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER 2021

	2021	2020
	€	€
Cash flows from operating activities		
Net profit / (loss) before taxation	2,142,091	(3,471)
Investment income	(42)	-
	2,142,049	(3,471)
Operating profit / (loss) before working capital changes		
Trade and other receivables	(1,303,962)	-
Inventory	5,159,027	(1,536,680)
Creditors	(658,878)	963,060
	5,338,236	(577,091)
Cash generated from operations		
Income tax paid	(430,630)	-
	4,907,606	(577,091)
<i>Net cash from / (used in) operating activities</i>		
Cash flows from investing activities		
Investment income	42	-
	42	-
<i>Net cash from investing activities</i>		
Cash flows from financing activities		
Increase in share capital	98,800	-
Shareholders' loans	200,627	8,410
Related parties	(276,983)	13,314
Bank loans (net)	(3,215,760)	497,035
	(3,193,316)	518,759
<i>Net cash (used in) / from financing activities</i>		
Movement in cash and cash equivalents	1,714,332	(58,332)
Cash and cash equivalents at beginning of the year	34,179	92,511
	1,748,511	34,179
Cash and cash equivalents at end of the year (note 11)		

The notes on pages 10 to 23 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 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.

1.1 Basis of preparation

These are the Company's first financial statements prepared under IFRS. The Company's previous financial statements, for the period ended 31st December 2020, were 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 date of transition to IFRS is the 1st of January 2021.

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

IFRS 1 requires disclosure to explain how the transition from GAPSME to IFRS affected the entity's reported financial position, financial performance and cashflow. There were no changes that required such disclosures.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise their judgements in the process of applying the company'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 directors, 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 2021

In 2021 the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period on 1st January 2021. The adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in changes to the company's accounting policies impacting the company's financial performance and position.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory to the Company's accounting profits beginning after 1st January 2021, including IFRS 9 'Financial Instruments', amongst other pronouncements. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed below, and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.2 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.

1.3 Offsetting financial instruments

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

1.4 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 have 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 payable.

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

Interest

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

1.5 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.6 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.

1.7 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.

1.8 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

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 Inventory. 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.

1.10 Trade and other receivables

Trade receivables are amounts due from customers for units sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the nominal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and other direct expenses.

When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against selling and other direct expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

1 Summary of significant accounting policies

1.11 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.

1.12 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management

2.1 Financial risk factors

The company's activities are potentially exposed to a variety of risks: market risk, economic risk, counter-party risk, credit risk and liquidity risk. Where possible, the board provides principles for overall risk management, as well as policies to mitigate these risks in the most prudent way.

(i) The company is subject to market and economic conditions generally

The company is subject to the general market and economic risks that may have a significant impact on the projects of the subsidiaries, the timely completion of the said projects and budgetary constraints. These include factors such as the state of the local property market, inflation, and fluctuations in interest rates, exchange rates, property prices and other economic and social factors affecting demand for real estate generally. If general economic conditions and property market conditions experience a downturn which is not contemplated in the company's planning during the construction and completion of the projects, this shall have an adverse impact on the financial condition of the company and the ability of the Company to meet its obligations.

(ii) The property market is a very competitive market that can influence the sales of units in the Projects

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the company operates and targets to sell the remaining units in stock and the properties being developed, may cause sales of units forming part of the projects to sell at prices which are lower than is being anticipated by the company or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances there is a delay in the tempo of sales envisaged by the company, they could have a material adverse impact on the company and the Issuer's ability to meet its obligations.

(iii) The company depends on third parties in connection with its business, giving rise to counterparty risks

The company relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of the projects of its subsidiaries. The company has engaged the services of third party contractors for the development of the projects including, excavation, construction and finishing of the developments 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 company's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the company's businesses, and their respective financial condition, results of operations and prospects, that could have a material adverse impact on the Issuer's ability to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management - continued

2.1 Financial risk factors - continued

(iv) Material risks relating to real estate development may affect the economic performance and value of the Projects

There are several factors that commonly affect the real estate development industry, many of which are beyond the company's control, and which could adversely affect the economic performance and value of the company's projects. Such factors include:

- changes in European and global economic conditions;
- changes in the general economic conditions in Malta;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an oversupply of similar properties;
- a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- changes in the prices and supply of raw materials, building materials;
- acts of nature that may damage any of the properties or delay development thereof

(v) The company may be exposed to environmental liabilities attaching to real estate property

The company may become liable for the costs of removal, investigation, or remediation of any hazardous or toxic substances that may be located on, or in or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The company may also be required to remove or remedy any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. 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 real estate 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 realised, could have an adverse effect on the company's operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management - continued

2.1 Financial risk factors - continued

(vi) Property valuations may not reflect actual market values

The valuations of the properties on which the share acquisitions were based were prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent 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. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

(vii) General exposure to funding risks

The funding of each project is partly dependent on the proceeds from the gradual sale of the units in each development. If the projected sale of the units is not attained or is delayed, the company may well not have sufficient funds to complete all the projects within the projected time-frames or to pay the contractors for works performed.

(viii) The Company may be exposed to cost overruns and delays in completion of the projects

Each of the projects being undertaken by the company is prone to certain risks inherent in real estate development, most notably the risk of completing each project within its scheduled completion date and within the budgeted cost for that development. If either or both risks were to materialise they could have an impact on the financial condition of the respective subsidiary and/or the company, and the ability of the latter to meet its obligations. The risks of delays and cost overruns, could cause actual sales revenues and costs to differ from those projected and which are affected, amongst others, by factors attributable to counter-parties, general market conditions, and competition which are beyond the company's control. Delays in the time scheduled for completion of one or more of the projects may also cause significant delays in the tempo of the sales forecasted by the company for units within the Project or Projects affected by such delay, which can have a significant adverse impact on the company's financial condition and cash flows. Similarly, if any one or more of the projects were to incur significant cost overruns that were not anticipated, the company may have difficulties in sourcing the funding required for meeting such cost overruns and therefore may risk not completing one or more of the projects, which shall have a material adverse impact on the cash flows generated from sales of units in that Project and a material adverse impact on the financial condition of the specific subsidiary and ultimately the Issuer.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

2 Financial risk management - continued

2.1 Financial risk factors - continued

(ix) Foreign Exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. As at reporting date, the Company has no currency risk since all assets and liabilities are denominated in Euro.

(x) Fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its interest bearing financial instruments.

As at the reporting date, the Company holds available for sale investments which are limited to Corporate bonds and bank deposits. Borrowings are subject to fixed interest rates and principally consist of the public bonds. Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift at the reporting date to be quite contained.

(xi) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's financial obligations and to safeguard the Company's ability to continue as a going concern, in particular to complete of the company's projects in a timely manner.

(xii) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern; to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure consists of items presented within equity in the statement of financial position. The company monitors the level of debt against total capital on an ongoing basis.

(xiii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss.

The Company is not significantly exposed to credit risk arising in the course of its principal activity relating to the sale of residential units in view of the way promise of sale agreements are handled through receipt of payments on account at established milestones up to delivery. The Company monitors the performance of the purchases throughout the term of the related agreement in relation to meeting contractual obligations and ensures that contract amounts are fully settled prior to delivery of the residential unit.

Furthermore, the Company manages its credit risk exposure in relation to receivables from fellow companies in an active manner, at arm's length and with interest charged thereon. The Board retains direct responsibility for affecting and monitoring the investments made by the fellow companies. The Board considers these receivables to be fully performing and recoverable.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

3 Turnover

Turnover represents the property held for development & resale, and is made up as follows:

	2021 €	2020 €
Sale of property held for Development and resale	8,744,500	-
	8,744,500	-

4 Profit / (loss) before tax

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

	2021 €	2020 €
Audit fees	2,324	1,800

5 Employees

The company did not employ any employees.

6 Finance costs

	2021 €	2020 €
<i>Finance costs allocated to cost of sales (Inventories - Property development)</i>		
Capitalised interest at 1st January	250,921	96,611
Capitalised interest during period	109,772	154,310
Capitalised interest at 31st December	(28,000)	(250,921)
	332,693	-

7 Investment income

	2021 €	2020 €
Interest from Maltese banks	42	-
	42	-

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

8 Tax expense

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

	2021	2020
	€	€
Current income tax		
Income tax on taxable income at 15%	6	-
Income tax subject to 5% final tax on sales of immovable property	416,501	-
Income tax subject to 8% final tax on sales of immovable property	14,123	-
Tax charge	430,630	-

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

	2021	2020
	€	€
Net profit / (loss) for the year	2,142,091	(3,471)
Income tax thereon at 35% (statutory local income tax rate)	749,732	(1,215)
Tax effect of:		
Difference resulting from different tax rates on bank interest received	(8)	-
Expenses disallowed for tax purposes	11,492	1,215
Difference arising on income subject to 5% & 8% withholding tax on sales	(330,586)	-
	430,630	-

9 Inventory - Development project

	2021	2020
	€	€
Property cost of land and development costs	266,000	5,425,027
	266,000	5,425,027

10 Trade and other receivables

	2021	2020
	€	€
Other debtors	515,777	-
Bank Guarantees	4,240	4,240
Amounts due from related parties	788,185	-
	1,308,202	4,240

All balances receivable from related parties are unsecured, interest free and have no fixed date for repayment.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

11 Cash and cash equivalents

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

	2021	2020
	€	€
Cash at bank	1,748,511	34,179
	1,748,511	34,179

12 Share capital

	2021	2020
	€	€
Authorised		
100,000 Ordinary shares of €1 each	100,000	-
1,200 Ordinary shares of €1 each	-	1,200
	100,000	1,200
Issued and fully paid up		
100,000 Ordinary shares of €1 each	100,000	-
1,200 Ordinary shares of €1 each	-	1,200
	100,000	1,200
	100,000	1,200

13 Earnings per share

Earnings 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.

	2021	2020
	€	€
Profit / (loss) for the year	1,711,461	(3,471)
Weighted average share in issue	100,000	1,200
Earnings per share	17.11	0.00

The company has not issued any dilutive instruments in the past, and therefore the basic and diluted earnings per share are equal.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

14 Borrowings

	2021	2020
	€	€
Short term - falling due within one year		
Bank loans	-	3,215,760
Total short term borrowings	-	3,215,760

As at 31st December 2021, the company repaid in full the bank loans facilities amounting to €2,089,617 which were split into 2 loans, one loan to end-finance the acquisition and one loan to part finance the development of the Mgarr project. The interest rate was at 4.5% per annum. Repayments were made from proceeds derived from the sale of property as laid out in the repayment terms. The loans were guaranteed by Muscat Holdings II Limited and its shareholder, which have bound themselves jointly and severally liable to 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 2021, the company repaid in full the bank loans facilities amounting to €1,126,143 which were split into 2 loans, one loan to end-finance the acquisition and one loan to part finance the development of the Naxxar project. The interest rate was at 4.5% per annum. Repayments were to be made from proceeds derived from the sale of property as laid out in the repayment terms. The loans were guaranteed by Muscat Holdings II Limited and its shareholder, which have bound themselves jointly and severally liable to the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

15 Creditors

	2021	2020
	€	€
Trade and other payables		
Trade creditors and accruals	202,087	660,923
Advanced deposits	333,933	533,975
	536,020	1,194,898
Other financial liabilities		
Amount due to shareholders	218,887	18,260
Amounts due to related parties	761,888	1,038,871
	980,775	1,057,131
Total trade and other creditors	1,516,795	2,252,029

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2021

16 Transactions with related parties

Companies forming part of JUEL Group and GAP Group are considered by the directors to be part of the group of companies. Companies having the same shareholders and directors are considered by the directors to be 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 :

	2021	2020
	€	€
Trade and other receivables		
Amounts due from related parties	788,185	-
Other financial liabilities		
Amount due to shareholders	218,887	18,260
Amounts due to related parties	761,888	1,038,871
	980,775	1,057,131

17 Comparative figures

Certain comparative figures have been reclassified to conform with this year's presentation.

**TRADING INCOME AND EXPENSES
FOR THE YEAR ENDED 31st DECEMBER 2021**

	2021	2020
	€	€
Property held for development & resale		
Sales		
Sale of property held for Development and resale	8,744,500	-
	8,744,500	-
Cost of sales		
Property held for Development & Resale at beginning of period	5,174,106	3,791,736
Development expenses	1,395,560	1,382,370
Property held for Development & Resale at end of period	(238,000)	(5,174,106)
	6,331,666	-
Gross profit on property development	2,412,834	-
Administration expenses		
Commissions	267,086	-
Office stationery and supplies	3	-
Professional fees	398	406
Legal fees	-	1,180
Audit fees	2,324	1,800
Company registration fee	965	85
Bank Charges	9	-
	270,785	3,471
TOTAL OPERATING PROFIT / (LOSS) FOR THE YEAR	2,142,049	(3,471)
OTHER INCOME / EXPENSES		
Investment income		
Interest from Maltese banks	42	-
	42	-
PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION	2,142,091	(3,471)