

**Muscat Holdings (II) Limited**

**FINANCIAL STATEMENTS**

**31st DECEMBER 2022**

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## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31st DECEMBER 2022

The director presents his report and the audited financial statements of Muscat Holdings (II) Limited for the year ended 31st December 2022.

#### 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 148,925 (2021 - Eur 2,412,834) and profit before taxation of Eur145,306 (2021 - Eur2,142,091). The company incurred administration expenses of Eur3,755 (2021 - Eur270,785).

#### 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 2022 who held office throughout the year was:-

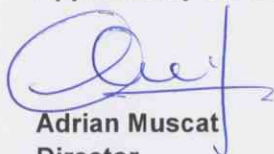
Adrian Muscat

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

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

Date : 06 April 2023

## STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES

### Statement of the Director's Responsibilities

The director is 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 director is 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 director is 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. He is 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 : 06 April 2023

## **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 2022.**

#### **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 2022 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 2022, 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 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.

## Independent auditor's report

To the Shareholders of Muscat Holdings (II) Limited.

### 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 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 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 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 Director 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: 06 April 2023

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31st DECEMBER 2022**

	Notes	2022 €	2021 €
Turnover	3	370,000	8,744,500
Cost of sales		<u>(221,075)</u>	<u>(6,331,666)</u>
<b>Gross profit</b>		148,925	2,412,834
Administrative expenses		<u>(3,755)</u>	<u>(270,785)</u>
<b>Operating profit</b>		145,170	2,142,049
Investment income	7	<u>136</u>	<u>42</u>
<b>Profit before taxation</b>	4	145,306	2,142,091
Tax expense	8	<u>(19,270)</u>	<u>(430,630)</u>
<b>Profit for the year</b>		<u>126,036</u>	<u>1,711,461</u>
<b>Total Comprehensive income</b>		<u>126,036</u>	<u>1,711,461</u>
<b>Earnings per share</b>		<u>1.26</u>	<u>17.11</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2022**

	Notes	2022 €	2021 €
<b>ASSETS</b>			
<b>Current assets</b>			
Inventory - Development project	9	5,050,036	266,000
Trade and other receivables	10	902,897	1,308,202
Cash and bank balances	11	256,668	1,748,511
		<u>6,209,601</u>	<u>3,322,713</u>
<b>Total Assets</b>		<u>6,209,601</u>	<u>3,322,713</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	100,000	100,000
Retained earnings		1,831,954	1,705,918
Total equity		<u>1,931,954</u>	<u>1,805,918</u>
<b>Non-current liabilities</b>			
Bank loans	14	3,263,777	-
Total non-current liabilities		<u>3,263,777</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	15	218,435	536,020
Other financial liabilities	15	795,435	980,775
Total current liabilities		<u>1,013,870</u>	<u>1,516,795</u>
Total liabilities		<u>4,277,647</u>	<u>1,516,795</u>
<b>Total equity and liabilities</b>		<u>6,209,601</u>	<u>3,322,713</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements on pages 6 to 25 were approved by the board of directors and were signed on its behalf by:

  
**Adrian Muscat**  
**Director**

Date : 06 April 2023

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31st DECEMBER 2022**

	Share Capital €	Profit and Loss Account €	Total €
Balance at 1st January 2021	1,200	(5,543)	(4,343)
<b>Comprehensive profit</b>			
Profit for the year	-	1,711,461	1,711,461
<b>Transactions with owners</b>			
Issue of share capital	98,800	-	98,800
<b>Balance at 31st December 2021</b>	<u>100,000</u>	<u>1,705,918</u>	<u>1,805,918</u>
Balance at 1st January 2022	100,000	1,705,918	1,805,918
<b>Comprehensive income</b>			
Profit for the year	-	126,036	126,036
<b>Balance at 31st December 2022</b>	<u>100,000</u>	<u>1,831,954</u>	<u>1,931,954</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31st DECEMBER 2022**

	2022	2021
	€	€
<b>Cash flows from operating activities</b>		
Net profit before taxation	145,306	2,142,091
Investment income	(136)	(42)
	145,170	2,142,049
<b>Operating profit before working capital changes</b>		
Trade and other receivables	405,305	(1,303,962)
Inventory	(4,784,036)	5,159,027
Creditors	(317,585)	(658,878)
	(4,551,146)	5,338,236
<b>Cash generated from operations</b>		
Income tax paid	(19,270)	(430,630)
	(4,570,416)	4,907,606
<i>Net cash (used in) / from operating activities</i>		
<b>Cash flows from investing activities</b>		
Investment income	136	42
	136	42
<i>Net cash from investing activities</i>		
<b>Cash flows from financing activities</b>		
Increase in share capital	-	98,800
Directors' loans	(203,452)	200,627
Related parties / group companies	18,112	(276,983)
Bank loans (net)	3,263,777	(3,215,760)
	3,078,437	(3,193,316)
<i>Net cash from / (used in) financing activities</i>		
<b>Movement in cash and cash equivalents</b>	(1,491,843)	1,714,332
<b>Cash and cash equivalents at beginning of the year</b>	1,748,511	34,179
	256,668	1,748,511
<b>Cash and cash equivalents at end of the year (note 11)</b>		

The notes on pages 10 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**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 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 .

*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 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*

In 2022 the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period on 1st January 2022. 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 2022, 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 2022

### 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 2022

**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 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 as 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 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; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**1 Summary of significant accounting policies**

**1.8 Financial instruments (continued)**

*Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as 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. Derocognition**

*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.

*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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**1 Summary of significant accounting policies**

**1.8 Financial instruments (continued)**

*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 1 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.

**1.9 Inventory - 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 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.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022**

**1 Summary of significant accounting policies**

**1.10 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.

**1.11 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 2022

### 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) 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.

The company has a number of bank loan facilities. The director of the Company believes that full support of its bank, and the ultimate shareholder will be available as part of the Company's effective financing strategy. As such, the Company is confident that it will meet its commitments as and when they fall due.

##### *(ii) 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.

##### *(iii) 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 2022

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(iv) Risks relating to the financing of the Company's projects*

The Company's development projects have been part-financed through bank financing with local banks. The Company plans to incur additional debts for the purposes of financing future development projects. Notwithstanding that the Company 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 Company is utilised to repay the respective company's debt obligations pursuant to the terms of the facilities provided. Should the Company significantly increase its debt obligations, this may have an adverse effect on the profitability of the respective company and the Company as a whole.

The agreements regulating the bank debt of the companies forming part of the Company 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. 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, the Company might 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.

*(v) Risks relating to rising costs for materials, resources, and utilities*

The Company operates in the property industry. As part of the property development component of the Company's business, the Company has plans to develop the: (i) Marsascala Development I; and (ii) Marsascala Development II. On completion of the afore-mentioned projects, the Company will seek additional property development opportunities. The industry necessitates the availability of certain resources (including human resources), materials and utilities, at cost-effective prices.

The Company'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 Company'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 Company 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 Company's hospitality arm, the Company 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 Company 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 Company.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

The Company may be unable to maintain an adequate stock of the materials and resources it requires, including the appropriate workforce for the Company's development projects resulting in increased costs and project delays. The Company's inability to comply with its obligations in both the property development and hospitality sectors, could adversely impact the Company'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 Company.

*(vi) Risks relating to competing projects*

The Company's activities in the property development 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 Company, particularly where such competing developments are available at cheaper prices, the Company may be unable to sell or otherwise lease the units, garages and, or developments (as applicable) forming part of the Company's property portfolio, in a cost-effective and efficient manner.

*(vii) Risks relating to changes in consumer preferences and demand*

The Company's success in the property development, rental 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 is subject to changing preferences in the style and location of immovable properties. Brand images are key to the business of the Company and thus the inability to maintain a positive brand image could have a material adverse effect on the Company'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 Company'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 Company 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.

*(viii) Risks relating to the Company's insurance policies*

No assurance can be given that the Company'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 Company. Furthermore, the actions, or inactions of employees or other officials of the Company, or of contractors, sub-contractors, outsourcing parties, or other third parties engaged by the Company from time to time, may affect the ability of the Company to successfully make a claim under its insurance policies.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022**

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

The Company is heavily invested in the property acquisition, development, and management markets, which are constantly evolving market segments characterised by specific risks and uncertainties. The Company 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 Issuer's financial condition and results.

*(ix) Risks relating to property development and the construction industry*

The Company undertakes activities in the property development and construction industry. As detailed above, the Company has plans to develop the Marsascula Development I and Marsascula Development II.

Pursuant to such activities, the Company 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; and
- (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 Company's business, financial condition, and results of operations, including the increase of projected costs and times for completion of ongoing development projects.

*(x) Risks relating to the sale of property*

The Company'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 Company's activities in this sector, have been largely successful, there can be no assurance that the Company 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 Company'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

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(xi) Risks relating to the engagement and, or the involvement of third parties in connection with the Company's business and associated 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 its developments. The Company 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 Company'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 Company, which could have an adverse impact on the Company'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 Issuer's cash flows and revenue generation.

*(xii) Risks relating to property valuations and net realisable value*

The valuations are prepared by independent qualified architects. 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 Company 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.

*(xiii) Risks relating to the regulatory environment in which the Company operates*

The Company's activities in the construction and development industry 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 Company operates is constantly evolving, with the introduction of new rules and regulations, or the amendment or overhaul of existing ones. In addition, the Company 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 Company's business, financial condition, and results of operations in the property development sector.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022**

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

The inability of the Company to meet its ongoing regulatory and legal requirements, whether in whole or in part, or the inability of the Company to equip itself to comply with forthcoming legislation or regulation in a timely and suitable manner, may expose the Company 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 Company 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 Company.

*(xiv) Risks relating to the failure to implement environmental, social and governance considerations in the Company'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 Issuer's business model is likely to become under increased scrutiny by investors, regulators, and the public at large.

Should the Company fail to operate its business in each sector in a sustainable manner, the failure to implement sustainable factors in the Company's business operations may also have a material adverse effect on the Company'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 Company's business activities, revenues, financial condition, and operations.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022**

**3 Turnover**

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

	2022	2021
	€	€
Sale of property held for Development and resale	370,000	8,744,500
	370,000	8,744,500

**4 Profit before tax**

The profit for the year is stated after charging :

	2022	2021
	€	€
Audit fees	2,124	2,124

**5 Employees**

The company did not employ any employees.

**6 Finance costs**

	2022	2021
	€	€
<i>Finance costs allocated to cost of sales (Inventories - Property development)</i>		
Capitalised interest at 1st January	28,000	250,921
Capitalised interest during period	118,441	109,772
Capitalised interest at 31st December	(121,441)	(28,000)
	25,000	332,693

**7 Investment income**

	2022	2021
	€	€
Interest from Maltese banks	136	42
	136	42

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022**

**8 Tax expense**

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

	2022	2021
	€	€
Current income tax		
Income tax on taxable income at 15%	20	6
Income tax subject to 5% final tax on sales of immovable property	17,250	416,501
Income tax subject to 8% final tax on sales of immovable property	2,000	14,123
Tax charge	19,270	430,630

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

	2022	2021
	€	€
Net profit for the year	145,306	2,142,091
Income tax thereon at 35% (statutory local income tax rate)	50,857	749,732
Tax effect of:		
Difference resulting from different tax rates on bank interest received	(27)	(8)
Expenses disallowed for tax purposes	1,313	11,492
Difference arising on income subject to 5% & 8% withholding tax on sales	(32,873)	(330,586)
	19,270	430,630

**9 Inventory - Development project**

	2022	2021
	€	€
Property cost of land and development costs	5,050,036	266,000
	5,050,036	266,000

**10 Trade and other receivables**

	2022	2021
	€	€
Other debtors	-	515,777
Bank Guarantees	11,563	4,240
Amounts due from group companies	891,334	788,185
	902,897	1,308,202

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**11 Cash and cash equivalents**

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

	2022	2021
	€	€
Cash at bank	256,668	1,748,511
	256,668	1,748,511

**12 Share capital**

	2022	2021
	€	€
<b>Authorised</b>		
100,000 Ordinary shares of €1 each	100,000	100,000
	100,000	100,000
<b>Issued and fully paid up</b>		
100,000 Ordinary shares of €1 each	100,000	100,000
	100,000	100,000

**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.

	2022	2021
	€	€
Profit for the year	126,036	1,711,461
Weighted average share in issue	100,000	100,000
Earnings per share	1.26	17.11

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

**14 Borrowings**

	2022	2021
	€	€
<b>Long term - falling due after one year</b>		
Bank loans	3,263,777	-
Total long term borrowings	3,263,777	-

As at 31st December 2022, the company had a bank loan facility amounting to €3,263,777 which were split into 3 loans, one loan to end-finance the acquisition, one loan to finance the development of the Marsascala Bahhara project and one loan to end-finance the acquisition of Marsascala Tal-Hut project. The interest rate was at 3.75% per annum. Repayments shall 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

**15 Creditors**

	2022	2021
	€	€
<b>Trade and other payables</b>		
Trade creditors and accruals	218,435	202,087
Advanced deposits	-	333,933
	218,435	536,020
 <b>Other financial liabilities</b>		
Amount due to director	15,435	218,887
Amounts due to group companies	780,000	761,888
	795,435	980,775
 <b>Total trade and other creditors</b>	1,013,870	1,516,795

**16 Transactions with related parties**

Companies forming part of JUEL Group Limited and Gap Group plc 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 :

	2022	2021
	€	€
<b>Trade and other receivables</b>		
Amounts due from group companies	891,334	788,185
 <b>Other financial liabilities</b>		
Amount due to director	15,435	218,887
Amounts due to group companies	780,000	761,888
	795,435	980,775

**TRADING INCOME AND EXPENSES  
FOR THE YEAR ENDED 31st DECEMBER 2022**

	2022	2021
	€	€
<b>Property held for development &amp; resale</b>		
<b>Sales</b>		
Sale of property held for Development and resale	370,000	8,744,500
	370,000	8,744,500
<b>Cost of sales</b>		
Property held for Development & Resale at beginning of period	238,000	5,174,106
Development expenses	506,300	1,395,560
Acquisition of land and related fees	4,405,370	-
Property held for Development & Resale at end of period	(4,928,595)	(238,000)
	221,075	6,331,666
<b>Gross profit on property development</b>	148,925	2,412,834
<b>Administration expenses</b>		
Commissions	-	267,086
Office stationery and supplies	39	3
Professional fees	1,139	398
Audit fees	2,124	2,324
Company registration fee	366	965
Bank Charges	-	9
General and administrative expenses	87	-
	3,755	270,785
<b>TOTAL OPERATING PROFIT FOR THE YEAR</b>	145,170	2,142,049
<b>OTHER INCOME / EXPENSES</b>		
<b>Investment income</b>		
Interest from Maltese banks	136	42
	136	42
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>	145,306	2,142,091