

MUSCAT HOLDINGS LIMITED

FINANCIAL STATEMENTS

31st DECEMBER 2022

CONTENTS	PAGE
Report of the Director	1
Statement of the Directors' Responsibilities	2
Independent Auditor's Report	3 - 5
Statement Of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 26
Detailed Schedules	
Trading income and expenses	27
Other income / expenses	28

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31st DECEMBER 2022

The director presents his report and the audited financial statements of Muscat Holdings 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, which is unchanged since last year, is the holding of property held for development and resale and the holding of investment property for rental purposes.

Review of business

In the prior year, the company made a gross profit of Eur 485,741. During the current year, the company incurred administration expenses of Eur 25,513 (2021 – Eur 86,786). The company made a profit before tax of Eur 56,048 (2021 – Eur 4,337,717).

Results and dividends

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

The Directors have proposed and paid a net dividend in the prior year of €600,000 from the final tax account.

Director

The Director of the company as at 31st December 2022 who held office throughout the year was:-

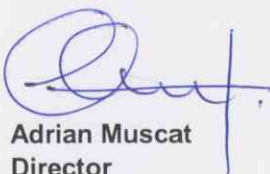
Adrian Muscat

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

Auditor

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

Approved by the Director on behalf of the Board hereunder:



Adrian Muscat
Director

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

Date : 06 April 2023

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 : 06 April 2023

Independent auditor's report

To the Shareholders of Muscat Holdings 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 Limited, set out on pages 10 to 26 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 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 directors are 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 Directors' Report.

Independent auditor's report

To the Shareholders of Muscat Holdings 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 director.
- 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 entity or business activity within the entity to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Independent auditor's report

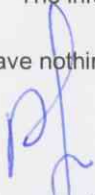
To the Shareholders of Muscat Holdings Limited.

Report on Other Legal and Regulatory Requirements

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

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

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



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

TACS Malta Limited

1, Tal-Providenza Mansions
Main Street
Balzan
Malta
Date: 06 April 2023

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

	Notes	2022 €	2021 €
Turnover	3	-	1,070,000
Cost of sales		-	(584,259)
Gross profit		-	485,741
Administrative expenses		(25,513)	(86,786)
Operating (loss) / profit	4	(25,513)	398,955
Rental income		144,800	94,600
Finance costs	6	(63,242)	(43,162)
Investment income	7	3	11
Gain on revaluation of investment property		-	3,887,313
Profit before taxation		56,048	4,337,717
Tax expense	8	(18,409)	(683,292)
Profit for the year		37,639	3,654,425
Total Comprehensive income		37,639	3,654,425
Earnings per share		0.19	18.27

The notes on pages 10 to 26 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2022

	Notes	2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	13,301	15,720
Investment property	11	7,700,000	7,700,000
		<u>7,713,301</u>	<u>7,715,720</u>
Current assets			
Inventory - Development project	12	1,059,477	1,059,477
Trade and other receivables	13	3,804,959	1,535,154
Cash and bank balances	14	453,609	515,358
		<u>5,318,045</u>	<u>3,109,989</u>
Total Assets		<u>13,031,346</u>	<u>10,825,709</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	200,000	200,000
Retained earnings		6,904,688	6,867,049
Total equity		<u>7,104,688</u>	<u>7,067,049</u>
Non-current liabilities			
Bank loans	17	2,800,000	522,134
Deferred tax	18	616,000	616,000
Total non-current liabilities		<u>3,416,000</u>	<u>1,138,134</u>
Current liabilities			
Bank overdraft and loans	17	-	59,781
Trade and other payables	18	1,149,456	1,163,108
Other financial liabilities	18	1,342,800	1,382,651
Taxation due		18,402	14,986
Total current liabilities		<u>2,510,658</u>	<u>2,620,526</u>
Total liabilities		<u>5,926,658</u>	<u>3,758,660</u>
Total equity and liabilities		<u>13,031,346</u>	<u>10,825,709</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

The financial statements on pages 6 to 26 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	200,000	3,812,624	4,012,624
Comprehensive income			
Profit for the year	-	3,654,425	3,654,425
Dividends proposed and paid during the year (Note 9)	-	(600,000)	(600,000)
Balance at 31st December 2021	<u>200,000</u>	<u>6,867,049</u>	<u>7,067,049</u>
Balance at 1st January 2022	200,000	6,867,049	7,067,049
Comprehensive income			
Profit for the year	-	37,639	37,639
Balance at 31st December 2022	<u>200,000</u>	<u>6,904,688</u>	<u>7,104,688</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER 2022

	2022	2021
	€	€
Cash flows from operating activities		
Net profit before taxation	56,048	4,337,717
Adjustments for:		
Depreciation	2,418	2,418
Investment income	(3)	(11)
Interest expenses	63,243	43,162
Other income	(144,800)	(94,600)
Fair value of investment property	-	(3,887,313)
	(23,094)	401,373
Operating (loss) / profit before working capital changes		
Trade and other receivables	(2,269,805)	860,476
Inventory	-	594,246
Creditors	(13,652)	(1,275,965)
	(2,306,551)	580,130
Cash generated (used in) / from operations		
Interest payable	(63,242)	(43,162)
Income tax paid	(14,993)	(52,306)
Other income	144,800	94,600
<i>Net cash (used in) / from operating activities</i>	(2,239,986)	579,262
Cash flows from investing activities		
Purchase of fixed assets	-	(86,065)
Investment income	3	11
<i>Net cash from / (used in) investing activities</i>	3	(86,054)
Cash flows from financing activities		
Shareholders' loans	(83,945)	83,945
Related parties	44,094	50,282
Bank loans (net)	2,218,085	(342,334)
Dividends paid	-	(600,000)
	2,178,234	(808,107)
<i>Net cash from / (used in) financing activities</i>		
Movement in cash and cash equivalents	(61,749)	(314,899)
Cash and cash equivalents at beginning of the year	515,358	830,257
Cash and cash equivalents at end of the year (note 14)	453,609	515,358

The notes on pages 10 to 26 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 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 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 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. 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 applicaiton.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.3 Revenue and cost recognition

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:

Rental income

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

1.4 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.

1.5 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.

1.6 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.7 Property, plant and equipment

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

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

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

	Years
Office Equipment	5
Furniture & Fittings	10

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

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

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

1.8 Investment property

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

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

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

1.9 Leases

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

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.9 Leases (continued)

As a lessor

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

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

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

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

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

1.10 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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.11 Financial instruments (continued)

iii. Derecognition (continued)

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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 is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Impairment

Simplified approach model

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 or 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.

1.12 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.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

1 Summary of significant accounting policies

1.13 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

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.

2.1 Financial risk factors

(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 2022

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 2022

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 2022

2 Financial risk management - continued

2.1 Financial risk factors - continued

(ix) 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.

(x) 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 directors of the Company believe that full support of its bankers, and the ultimate shareholders will be available as part of the Company effective financing strategy. As such, the Company is confident that it will meet its commitments as and when they fall due.

(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.

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.

3 Turnover

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

	2022	2021
	€	€
Sale of property held for Development and resale	-	1,070,000
	-	1,070,000

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

4 Operating (Loss) / Profit

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

	2022	2021
	€	€
Depreciation - Note 10	2,418	2,418
Audit fees	2,300	2,300

5 Employees

The company did not employ any employees.

6 Finance costs

	2022	2021
	€	€
Capitalised interest at 1st January	1,000	15,416
Bank Loan Interest	63,242	28,746
Capitalised interest at 31st December	(1,000)	(1,000)
	63,242	43,162

7 Investment income

	2022	2021
	€	€
Interest from Maltese banks	3	11
	3	11

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 the taxable profits for the year at 35%	18,409	14,986
Income tax on taxable income at 15%	-	2
Income tax subject to 5% & 8% final tax on sales of immovable property	-	52,304
Deferred taxation	-	616,000
Tax charge	18,409	683,292

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

8 Tax expense (Continued)

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

	2022	2021
	€	€
Net profit for the year	56,048	4,337,717
Income tax thereon at 35% (statutory local income tax rate)	19,617	1,518,201
Tax effect of:		
Deferred tax asset arising from claimable losses brought forward not taken as a deferred tax asset due to materiality	845	(594)
Difference resulting from different tax rates on rents received	-	(2)
Expenses disallowed for tax purposes	8,083	16,959
Difference arising on income subject to 5% withholding tax on sales	-	(100,090)
Further allowance on rental income	(10,136)	(6,622)
Difference arising on gain on revaluation of property	-	(744,560)
	18,409	683,292

9 Dividends

The Directors have proposed and paid a net dividend in the prior year of €600,000 from the final tax account.

10 Property, plant and equipment

	Office Equipment	Furniture & Fittings	Total
	€	€	€
Cost			
At 1st January 2022	2,941	18,307	21,248
Additions during the year	-	-	-
At 31st December 2022	2,941	18,307	21,248
Depreciation			
At 1st January 2022	1,764	3,764	5,528
Charge for the year	588	1,830	2,418
At 31st December 2022	2,352	5,594	7,946
At 31st December 2022	588	12,713	13,302
At 31st December 2021	1,177	14,543	15,720

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

11 Investment property

	2022	2021
	€	€
Cost/Revaluation		
At 1st January	7,700,000	3,726,621
Additions	-	1,266,178
Revaluation	-	2,707,201
At 31st December	7,700,000	7,700,000

The market value of the immovable property as at 31st December 2022 amounted to €7,700,000. The amount of €7,700,000 was based on a valuation of the property carried out by an independent architect on March 2022.

The property was revalued in the prior year and the adjustment was accounted for through profit & loss.

The rental income from the investment property earned during the year was €144,800 (2021 - €94,600).

Investment property comprises of commercial property that is being leased to related parties.

12 Inventory - Development project

	2022	2021
	€	€
Property cost of land and development costs	1,059,477	1,059,477
	1,059,477	1,059,477

13 Trade and other receivables

	2022	2021
	€	€
Other debtors	1,860	23,444
Amounts due from group companies	3,803,099	1,448,659
Other taxation	-	63,051
	3,804,959	1,535,154

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

14 Cash and cash equivalents

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

	2022	2021
	€	€
Cash at bank	453,609	515,358
	453,609	515,358

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

15	Share capital	2022	2021
		€	€
	Authorised		
	200,000 Ordinary shares of €1 each	200,000	200,000
		200,000	200,000
	Issued and fully paid up		
	200,000 Ordinary shares of €1 each	200,000	200,000
		200,000	200,000

16	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	37,639	3,654,425
	Weighted average share in issue	200,000	200,000
	Earnings per share	0.19	18.27

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

17	Borrowings	2022	2021
		€	€
	Short term - falling due within one year		
	Bank loans	-	59,781
	Total short term borrowings	-	59,781

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

17 Borrowings (Continued)

	2022	2021
	€	€
Long term - falling due after one year		
Bank loans	2,800,000	522,134
Total long term borrowings	2,800,000	522,134
Total borrowings	2,800,000	581,915

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

In the prior year as at 31st December 2021, the company had a bank loan facility amounting to €581,915, which was granted to end-finance the acquisition of the Kappara project. The interest rate was at 4.25% per annum. Repayments are to be made in monthly installments as laid out in the sanction letter. The repayment terms were changed during the current year as the intention of the property was changed and the main purpose of the property is now for rental purposes. The loans were guaranteed by Muscat Holdings Limited and its shareholder who is bound jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

18 Creditors

	2022	2021
	€	€
Trade and other payables		
Trade creditors	1,147,156	1,160,808
Accruals	2,300	2,300
	1,149,456	1,163,108
Other financial liabilities		
Amounts due to shareholders	-	83,945
Amounts due to related parties	1,342,800	1,298,706
	1,342,800	1,382,651
Total trade and other creditors	2,492,256	2,545,759

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

The amounts due to related parties included an amount of €1,156,239 which was charged at an interest rate of 4.5% and is repayable on 31st December 2023.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2022

18 Deferred taxation

The deferred tax liability is the liability emanating on the revaluation of investment property to €7,700,000 in 2021.

19 Transactions with related parties

Companies forming part of Juel Group 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
	€	€
Trade and other receivables		
Amounts due from group companies	3,803,099	1,448,659
	<u>3,803,099</u>	<u>1,448,659</u>
Other financial liabilities		
Amounts due to shareholders	-	83,945
Amounts due to related parties	1,342,800	1,298,706
	<u>1,342,800</u>	<u>1,382,651</u>
Rental income		
Rental income from related parties	<u>144,800</u>	<u>94,600</u>

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

	2022	2021
	€	€
Property Trading Income and Expenses		
Sales		
Property held for developments and resale	-	1,070,000
	-	1,070,000
Cost of sales		
Property held for Development & Resale at beginning of period	1,058,477	1,638,307
Development expenses	-	4,429
Property held for Development & Resale at end of period	(1,058,477)	(1,058,477)
	-	584,259
Gross profit on property development	-	485,741
Administration expenses		
Commissions	-	35,915
Insurance	1,466	2,922
Office stationery and supplies	26	-
Professional fees	6,949	40,644
Audit fees	2,300	2,300
Membership and subscription fees	384	384
Company registration fee	-	1,020
Repairs and maintenance	-	1,183
Sundry Expenses	200	-
Cleaning expenses	11,770	-
Depreciation of computers and electronic equipment	588	588
Depreciation of furniture, fixtures, fittings and soft furnishings	1,830	1,830
	25,513	86,786
TOTAL OPERATING (LOSS) / PROFIT FOR THE YEAR	(25,513)	398,955

OTHER INCOME / EXPENSES
FOR THE YEAR ENDED 31st DECEMBER 2022

	2022	2021
	€	€
Rental income		
Real estate rental Income	144,800	94,600
	144,800	94,600
Finance costs		
Capitalised interest at 1st January	1,000	15,416
Capitalised interest	63,242	28,746
Capitalised interest at 31st December	(1,000)	(1,000)
	63,242	43,162
Investment income		
Interest from Maltese banks	3	11
	3	11
Gain on revaluation on investment property		
Gain on revaluation on investment property	-	3,887,313
	-	3,887,313
PROFIT FOR THE YEAR	56,048	4,337,717