

Best Deal Properties Holding p.l.c.
Report and Consolidated Financial Statements
for the period ended 31 December 2019

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The directors present their first report and the audited financial statements of Best Deal Properties Holding p.l.c ("the Company") and the audited consolidated financial statements of the Company and its subsidiaries (together, "the Group") for the period ended 31 December 2019.

Principal Activity

The Company's principal activity is to act as a holding company and to raise finance and advance such financing to its subsidiaries.

The Group is engaged in property development of residential units and sale of such units.

Incorporation

The Company was incorporated on 23 October 2018 as a public limited liability company under the Companies Act (Cap. 386). Accordingly, these financial statements cover the period from incorporation up to 31 December 2019.

Business Review

During the period under review, the Company issued a secured bond of €16 million to finance the purchase and development of properties by its subsidiaries. The Company advanced such financing to Best Deal Developments Limited in December 2018 to purchase land in Pembroke, Mellieha and Zabbar. During the period under review the Group had another three developments in progress, two in Marsascala and another project in Mqabba. One of the projects in Marsascala was finalized at the end of 2018 with the final few units sold in the first quarter of 2019. The second project in Marsascala has been finalized in the first quarter of 2020 and sales are currently in progress. The development in Mqabba is in its initial stages. The development of Zabbar is under construction and is progressing according to plan.

During 2019 the Company made an application for the Company's shares to be admitted to trading on Prospects MTF as well as to raise a further 625,000 shares. The application was accepted and all equity of the Company is now trading on Prospects MTF. Through the issue of new ordinary shares and a new shareholder's loan, the Company raised a further €2.2 million to finance the subsidiaries in accelerating the completion of the developments.

The Company's profit after taxation for the period amounted to €61,982. The Company's income consisted of loan interest received from Best Deal Developments Limited and interim dividends received from Elite Developments Limited which were sufficient to cover the administration expenses and bond interest.

The loss on the Group's activities for the period after taxation amounted to €125,052. The loss was incurred since the second development in Marsascala, which was planned to be sold by December 2019, was delayed by 6 weeks resulting in sales contracts taking place in 2020.

As at 31 December 2019, the Group's total assets amounted to €27,454,631 and net assets amounted to €3,365,558. Net current assets amounted to €21,519,462. The main current assets of the Group consist of the properties held for development and resale with a value of €26,432,337 and cash and cash equivalents of €800,635. The main current liabilities consisted of deposits from clients on promise of sales agreements amounting to €1,748,817 as well as accruals and payables to contractors of €1,065,883. The Group had current bank borrowings of €3,022,082 which will be paid from the sales proceeds of the Marsascala project. Non-current liabilities totalled €18,219,082 made up of the Secured Bonds 2024 amounting to €15,671,914, bank borrowings of €1,284,754 relating to the Mqabba project and €1,262,414 shareholder's loan.

As at 31 December 2019, the Company's total assets amounted to €20,466,063 and net assets amounted to €3,552,592. Net current assets amounted to €3,400,161. The non-current assets of the Company include an amount of €16,763,800 as financial asset which comprise of the loan provided to the subsidiary company Best Deal Developments Limited. The company has investments in its subsidiaries of €240,000. The current assets of the Company mainly consist of the loan due from Elite Developments Limited of €2,324,750 as well as bank balances of €325,817 and other amounts due from subsidiaries of €767,983. Current liabilities amounted to €41,557. The company's non-current liabilities are the Secured Bonds 2024 amounting to €15,671,914 and shareholder's loan of €1,200,000.

Dividends

The directors do not recommend the payment of a dividend.

Principal risks and uncertainties

The Group is subject to the general market and economic risks that may have a significant impact on the development projects, their timely completion and budgetary constraints. These include factors such as the state of the local property market, inflation and fluctuations in interest rates, property prices and other economic and social factors affecting demand for real estate in general.

Financial Risk Management

The Group is exposed to credit, interest and liquidity risk. An explanation of these risks and how the Group manages these risks is found in Note 25 to these financial statements.

Post Balance Sheet Events

The Coronavirus (COVID-19) pandemic is affecting business on a national and worldwide level. The Company and its subsidiaries are closely monitoring the possible impact on its operations and financial performance and is committed to take all necessary steps to mitigate any impact. The Company is assessing the situation on an on-going basis, in order to enable executive management to take the necessary decisions in the interest of all stakeholders. In view of the unprecedented circumstances it is too early to quantify the effects on the Group's operations and performance.

Future Developments

The directors are continually assessing the developing situation with respect to the Coronavirus pandemic and its effects on the business. The directors consider to slow down or change timing of projected developments to ensure that the Company has sufficient liquidity to honour its commitments including to bondholders.

Directors

The following have served as directors of the company during the period under review :

John Buttigieg	Appointed on 23 October 2018
Christopher Attard	Appointed on 23 October 2018
Pierre Bartolo	Appointed on 23 October 2018
James Bullock	Appointed on 13 November 2018
Mario P Galea	Appointed on 13 November 2018
Marlene Seychell	Appointed on 13 November 2018
Erskine Vella	Appointed on 23 October 2018
David Basile	Appointed on 28 August 2019

Statement of Directors' Responsibilities

The Companies Act (Cap. 386), enacted in Malta requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and of the Group as at period end and of their profit or loss for the period then ended. In preparing these the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in the business;

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act, (Cap. 386). This responsibility includes designing, implementing and maintaining such internal controls 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. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern Basis

After reviewing the Group's forecasted financial statements, the directors are satisfied at the time of approving the financial statements that the Group and the Company are continually taking steps to ensure that there are adequate resources to continue operating for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Shareholder register information pursuant to Listing Rule 5.64

Structure of Capital

The Company has an authorised share capital of 3,500,000 Ordinary Shares of ten Euro cents (€0.10) each and issued and fully paid up share capital of 3,125,000 Ordinary Shares with a nominal value of ten Euro cents (€0.10) each. The Company has five shareholders each holding 20% of the share capital namely:

Christopher Attard
Erskine Vella
Pierre Bartolo
RCJ Investments Limited
C Developments Limited

All Ordinary Shares are entitled to attend and vote at General meetings, whereupon each Ordinary Share shall be entitled to one vote. The Ordinary Shares in the Company shall rank *pari passu* for all intents and purposes at law. There are currently no different classes of Ordinary Shares in the Company and accordingly all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital. There are no restrictions in the transfer of shares.

Subject to the Maltese Companies Act (Cap. 386), the Company may purchase its own equity securities.

Appointment and removal of Directors

Every shareholder owning a minimum of 15% of the ordinary shares of the Company shall be entitled to appoint one director for each and every 15% of the ordinary share capital owned by such shareholder and such shareholder may remove, withdraw or replace such directors at any time provided such shareholders still own a minimum of 15% of the ordinary issued share capital of the company. Shareholders may appoint up to three directors and may remove such directors appointed by means of an Ordinary Resolution. An election of directors shall take place every year and all directors, except managing directors, shall retire from office every three years, but shall be eligible for re-election. The company may by way of Ordinary Resolution, of which special notice has been given, remove any Director before the expiration of his period of office.

Powers of Directors

The powers and duties of directors are outlined in the Company's Articles of Association.

Contracts with Board Members and Employees

The company has no contract with any of its directors that includes a severance payment clause. The Company had no employees during the year ended 31 December 2019.

General Meetings

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Directors may convene an extraordinary general meeting whenever they think fit. If at any time there are not sufficient Directors capable of acting to form a quorum for a meeting of the Directors, any two members of the company may convene an Extraordinary General Meeting in the same manner, as nearly possible, as that in which meetings may be convened by the directors. All shareholders shall be entitled to receive notice of, participate in and vote at general meetings provided that such shareholders are registered on the day falling thirty days immediately preceding the date set for the general meeting.

A General Meeting of the Company shall be called by not less than 21 days notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it was given and shall specify the place, the day and the hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such special business.

No disclosures are being made pursuant to Listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 since these are not applicable.

Auditors

RSM Malta, have intimated their willingness to continue in office. A proposal to reappoint the above as auditors of the Company and of the Group will be proposed at the Annual General Meeting.

Statement by Directors on the Financial Statements and Other Information included in the report

In pursuant to Listing Rule 5.68 the directors declare that to the best of their knowledge:


- the financial statements give a true and fair view of the financial position and financial performance of the Company and of the Group and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act (Cap. 386); and

- this report includes a fair review of the development and performance of the business and positions of the Company and of the Group, together with a description of the principal risks and uncertainties that they face.

The directors' report was approved by the Board of Directors on 9 April 2020 and signed on its behalf by:



John Buttigieg
Director



Christopher Attard
Director

Best Deal Properties Holding p.l.c. ("the Company") is hereby presenting its statement of compliance with the Code of Principles of Good Corporate Governance (the "Code") for the period ended 31 December 2019. This statement is in line with the requirements as set out by the Malta Financial Services Authority Listing Rule 5.97 and also in line with Prospects MTF Rules.

The Board of Directors of the Company acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the best interests of the Company, its shareholders and other stakeholders. The Board considers compliance with the Code to be an integral part of operations so as to ensure transparency and responsible corporate governance which will in turn yield a positive reputation for the Company. Effective measures have been taken to ensure compliance to these principles and for the implementation of the Code as detailed hereunder.

Principle One - The Board

The directors report that for the financial period under review, the directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company with honesty, competence and integrity. The Board is composed of members who are competent and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities. All directors have access to independent professional advice, at the expense of the Company, should they so require.

Principle Two - Chairman and Chief Executive Officer

The Company has no employees and neither a Chief Executive Officer. The board of directors is responsible for the management of the Company.

The Chairman exercises independent judgement and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company. The Chairman is also responsible for ensuring effective communication with shareholders and encouraging active engagement by all members of the Board for discussion of complex or contentious issues.

Principle Three - Composition of the Board

The Board is composed of executive and non-executive directors who have the knowledge and experience in the property development sector finance and governance to be able to oversee operations, take strategic decisions and engage in key projects for the Company and the Group as a whole.

The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors. The Board of the Company who served during the period under review was as follows:

Directors

Christopher Attard	Executive Director
Pierre Bartolo	Executive Director
David Basile	Non-Executive Director (appointed 28 August 2019)
James Bullock	Non-Executive Director (appointed 13 November 2018)
John Buttigieg	Executive Director
Mario P Galea	Non-Executive Director (appointed 13 November 2018)
Marlene Seychell	Non-Executive Director (appointed 13 November 2018)
Erskine Vella	Executive Director

Company Secretary

Dr Maria Formosa Bonello	(resigned 18 April 2019)
Dr Roderick Zammit Pace	(appointed 18 April 2019)

Principle Four - Responsibilities of the Board

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue, and for monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

Principle Five - Board meetings

The directors meet regularly to dispatch the business of the Board. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting board papers, which are circulated in advance of the meeting. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. These minutes are subsequently circulated to all directors as soon as practicable after the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board met 8 times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

<u>Members</u>	<u>Attended</u>
Christopher Attard	8
Pierre Bartolo	8
David Basile	2
James Bullock	8
John Buttigieg	8
Mario P Galea	8
Marlene Seychell	8
Erskine Vella	6

Principle Six - Information and Professional Development

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, Listing Rules and the Prospects MTF Rules. The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle Seven - Evaluation of the Board's performance

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company's shareholders, the market and the Listing Rules by which the Issuer is regulated as a listed company in relation to the Secured Bonds, and the Prospects MTF Rules by which the Issuer is regulated as a company admitted on Prospects MTF in relation to the admission of the Ordinary Shares.

Principle Eight - Committees

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, and the Board itself carries out the functions of the remuneration committee. The Board has established a fixed remuneration for directors which is not performance related and this has been approved by the shareholders. The Board confirms that there have been no changes in the Company's remuneration policy during the period under review and the Company does not intend to effect any changes in its remuneration policy for the following financial year.

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a nomination committee.

The Company has an audit committee whose primary objective is to assist the Board of the Company in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee oversees the conduct of the external audit and acts to facilitate communication between the Board, management and the external auditors. The internal and external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The Audit Committee will always be composed of not fewer than three members, all of whom shall be non-executive directors of the Company. The quorum for the transaction of business at a meeting of the Audit Committee will be the majority of members appointed at the Committee, present in person. The Committee shall be chaired by an independent, non-executive director and the Chairperson of the Board shall not be the Chairperson of the Audit Committee.

In the case of an equality of votes during a meeting of the Board of Directors or Audit Committee, the Chairperson thereof shall have a casting vote. However, where the Chairperson is him/herself conflicted, the consideration of the relevant matter (in respect of which an interest has been declared) shall be chaired by another independent non-executive director or member (as the case may be), who shall also have a casting vote.

The terms of reference of the Audit Committee include, inter alia, its support to the Board of the Company in its responsibilities in dealing with issues of risk management, control and governance and associated assurance. The Board has set formal terms that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time with the prior notification of the Exchange.

Briefly, the Committee is expected to deal with and advise the Board on the following matters on a Group-wide basis:

- (a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- (b) monitoring the performance of the entity or entities borrowing funds (the subsidiaries) from the Company;
- (c) maintaining communications on such matters between the Board, management and the independent auditors;
- (d) facilitating the independence of the external audit process and addressing issues arising from the audit process;

and

- (e) preserving the Group's assets by understanding the risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction a priori to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company. Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to review the financial position of the Group and all other entities comprising the Group shall submit to the Audit Committee quarterly accounts, as well as quarterly comparisons of actuals against projections.

The Audit committee oversees the financial reporting of the Company and ensures the process takes place in a timely manner. The committee is free to question any information that may seem unclear. It has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Committee is made up entirely of non-executive Directors, all of whom are independent, and who are appointed for a period of three years. Mario P. Galea, an independent Director of the Company, acts as Chairman, whilst James Bullock and Marlene Seychell act as members of the Audit Committee. In compliance with the Prospects MTF Rules, Mario P. Galea is considered to be the member competent in accounting and/ or auditing matters.

Principle Nine and Ten - Relations with Bondholders and with the Market and Institutional Shareholders

Pursuant to the Company's statutory obligations in terms of the Companies Act (Cap. 386) enacted in Malta, Prospects MTF Rules and the Listing Rules issued by the Malta Financial Services Authority, the Annual Report and Financial Statements, the election of directors and approval of directors' fees, the appointment of the auditors and the authorisation of the directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

The Company is also committed to having an open and communicative relationship with bondholders and shareholders. The Company issues Company Announcements to keep the market informed of Group developments.

Principle Eleven - Conflicts of Interest

Directors should always act in the best interest of the Company and its shareholders and investors. Any actual, potential or perceived conflict of interest must be immediately declared by a Director to the other members of the Board and to the Audit Committee who decide on whether such a conflict exists. The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Directors are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law, the Listing Rules and Prospects MTF Rules. During the financial year under review, any private interests or duties unrelated to the Company were disclosed by the directors and it has been ensured that these do not place any of them in conflict with any interests in, or duties towards, the Company.


Principle Twelve - Corporate Social Responsibility

The Company remains committed to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders of the Company and the Group. The Company remains committed to being a responsible company and making positive contributions to society and the environment. The Group is committed to play a leading and effective role in Malta's sustainable development also by ensuring that all developments are equipped with the best energy efficient solutions.

This statement of compliance with the principles of good corporate governance has been approved by the Board of Directors and signed on its behalf by:



John Buttigieg
Director



Christopher Attard
Director

Date: 9 April 2020

**Statement of Comprehensive Income
for the period ended 31 December 2019**

	Notes	Group 23.10.18 to 31.12.19 €	Company 23.10.18 to 31.12.19 €
Revenue	3	883,083	-
Cost of sales		(764,433)	-
Gross profit		118,650	-
Other operating income	4	360	-
Administrative expenses		(692,912)	(514,722)
Operating loss		(573,902)	(514,722)
Finance income	6	184	1,163,961
Finance costs	7	(27,874)	(707,778)
Finance costs - net		(27,690)	456,183
Investment income	5	-	100,000
Gain on bargain purchase	12	515,044	-
(Loss) / profit before taxation		(86,548)	41,461
Income tax (expense)/credit	9	(38,504)	20,521
(LOSS) / PROFIT FOR THE PERIOD	8	(125,052)	61,982
Total comprehensive (loss) / profit attributable to:			
Equity holders of the Company		(125,052)	61,982
Earnings per share:			
Basic earnings per share (in cents)	19	-	0.02

	Notes	Group 31.12.2019 €	Company 31.12.2019 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	1,266	-
Goodwill	10	43,367	-
Financial assets at amortised cost	13	-	16,763,800
Investments in subsidiaries	12	-	240,000
Deferred tax asset	9	20,545	20,545
		<u>65,178</u>	<u>17,024,345</u>
Current Assets			
Inventories	14	26,432,337	-
Trade and other receivables	15	156,481	791,151
Financial assets at amortised cost	13	-	2,324,750
Cash and cash equivalents	16	800,635	325,817
		<u>27,389,453</u>	<u>3,441,718</u>
Total Assets		<u>27,454,631</u>	<u>20,466,063</u>
EQUITY			
Capital and Reserves			
Share capital	17	312,500	312,500
Share premium		937,500	937,500
Other equity	18	2,324,750	2,324,750
Accumulated losses		(209,192)	(22,158)
Total Equity		<u>3,365,558</u>	<u>3,552,592</u>
LIABILITIES			
Non-Current Liabilities			
Long-term borrowings	22	18,219,082	16,871,914
		<u>18,219,082</u>	<u>16,871,914</u>
Current Liabilities			
Trade and other payables	20	2,818,038	26,041
Current income tax liabilities	21	1,501	-
Short-term borrowings	22	3,050,452	15,516
		<u>5,869,991</u>	<u>41,557</u>
Total Liabilities		<u>24,089,073</u>	<u>16,913,471</u>
Total Equity and Liabilities		<u>27,454,631</u>	<u>20,466,063</u>

The financial statements on pages 10 - 36 were approved and authorised for issue by the Board of Directors on 9 April 2020 and signed on its behalf by:

John Buttigieg
Director

Christopher Attard
Director

**Statements of Changes in Equity
for the period ended 31 December 2019**

	Share Capital	Share Premium	Accumulated Losses	Other Equity	Total Equity
GROUP	€	€	€	€	€
For the period ended 31 December 2019					
Comprehensive loss					
Loss for the period	-	-	(125,052)	-	(125,052)
Other movements					
Cash issue of shares	312,500	-	-	-	312,500
Premium on issue of shares	-	937,500	-	-	937,500
Costs of issuing equity	-	-	(84,140)	-	(84,140)
Conversion of debt to equity	-	-	-	2,324,750	2,324,750
At 31 December 2019	<u>312,500</u>	<u>937,500</u>	<u>(209,192)</u>	<u>2,324,750</u>	<u>3,365,558</u>
	Share Capital	Share Premium	Accumulated Losses	Other Equity	Total Equity
COMPANY	€	€	€	€	€
For the period ended 31 December 2019					
Comprehensive income					
Profit for the period	-	-	61,982	-	61,982
Other movements					
Cash issue of shares	312,500	-	-	-	312,500
Premium on issue of shares	-	937,500	-	-	937,500
Costs of issuing equity	-	-	(84,140)	-	(84,140)
Conversion of debt to equity	-	-	-	2,324,750	2,324,750
At 31 December 2019	<u>312,500</u>	<u>937,500</u>	<u>(22,158)</u>	<u>2,324,750</u>	<u>3,552,592</u>

Statements of cash flows
for the period ended 31 December 2019

	Group		Company	
	23.10.18 to 31.12.19		23.10.18 to 31.12.19	
	€	€	€	€
Cash flow from operating activities				
(Loss)/profit before taxation	(86,548)		41,461	
Reconciliation to cash generated from operations:				
Depreciation	856		-	
Gain on bargain purchase	(515,044)		-	
Amortisation of bond issue costs	72,290		72,290	
Waiver of amounts payable	(360)		-	
Income tax paid	(57,573)		(24)	
Interest and dividend income	(184)		(1,263,961)	
Interest expense	27,874		707,778	
Operating loss before working capital changes	(558,689)		(442,456)	
(Increase) in stocks	(26,103,975)		-	
(Increase) in trade debtors	(2,500)		-	
(Increase) in other debtors	(153,981)		(791,151)	
Increase in trade creditors	50,671		4,255	
Increase in other creditors	2,767,367		21,786	
Interest paid	(71)		(680,000)	
Interest received	184		161	
Cash used in operating activities		(24,000,994)		(1,887,405)
Cash flow from investing activities				
Dividends received	-		100,000	
Payments on acquisition of group interests	-		(240,000)	
Loans to group companies	-		(17,924,750)	
Purchase of tangible fixed assets	(2,122)		-	
Cash generated used in investing activities		(2,122)		(18,064,750)
Cash flows from financing activities				
Net proceeds from bond issue	15,744,204		15,599,624	
New long term bank borrowings	1,284,754		-	
New long term related party borrowings	3,587,164		3,524,750	
Issue of shares for cash	1,250,000		1,250,000	
New short term bank borrowings	3,022,082		-	
New short term related party borrowings	12,854		-	
Interest paid	(28,683)		(27,778)	
Cost of issuing equity	(84,140)		(84,140)	
Cash generated from financing activities		24,788,235		20,262,456
Net Increase in cash in the period		785,119		310,301
Cash and equivalents at end of period (Note 16)		785,119		310,301

1. General Information

Best Deal Properties Holding p.l.c ("the Company") is a public limited liability company incorporated and domiciled in Malta. The registered office of the Company is 63 J.L. Buildings, Office 5, Luqa Road, Paola PLA9045. The Company status is that of a private company. These financial statements were approved for issue by the Board of Directors on 9 April 2020.

The principal activity of the Company is to act as a holding company and to provide financing to its subsidiaries. The Group is involved in the development of property for sale.

The Company has no individual who owns or controls, through direct or indirect ownership of shares, voting rights or ownership interests more than twenty-five per cent (25%) and no individual ultimately controls the Company via other means. The executive directors through their position of senior managing officials within the Company are considered as the ultimate beneficial owners.

The Company was incorporated on 23 October 2018. These are the first set of financial statements of the Company and of the Group, and cover the period from incorporation up to 31 December 2019.

2. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated.

Statement of compliance and basis of measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the requirements of the Companies Act (Cap. 386), enacted in Malta.

These financial statements have been prepared under the historical cost basis and are presented in Euro (€) which is the company's functional currency.

The preparation of financial statements in conformity with the International Financial Reporting Standards as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the reporting period. In particular, the directors have assessed the companies acquired and have concluded that in their view these acquisitions qualify under IFRS 3 Business Combinations and are therefore accounted for in terms of that standard. Furthermore, the fair value of assets acquired and liabilities assumed are initially estimated by the directors taking into consideration all available information at the acquisition date. The directors believe that these estimates and assumptions are reasonable.

Basis of consolidation

These consolidated financial statements incorporate the financial performance, cash flows and financial position of the Company and of its subsidiaries. The Group is made up of the entities as listed in note 12. Subsidiaries are companies over which the Group has control either directly or indirectly. Control is defined as the right or exposure to variable returns and the ability to affect those returns through power over an investee. The subsidiaries and the Company are consolidated from the date on which control is transferred.

Intra-group transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of the subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity of the Group.

When the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary and other related component in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. Any interest retained is measured at fair value when control is lost.

2. Accounting Policies (continued)*Standards and Interpretations issued by the IASB but not yet adopted by the company:*

Standards, interpretations and amendments that are effective for annual periods beginning 1 January 2019 are not yet effective for the company in view that this is the first reporting period covering from 23 October 2018 to 31 December 2019.

The Directors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Directors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of net identifiable assets acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of any cash generating unit include the carrying amount of goodwill relating to that cash generating unit disposed. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Cost includes expenditure directly attributable to the acquisition of the items as well as transfers from equity of any gains/losses on qualifying cashflow hedges of foreign currency purchases of property, plant and equipment. Depreciation is provided on all items of property, plant and equipment, except freehold land and assets under construction, at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant, machinery and equipment	-	20% Straight Line
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2. Accounting Policies (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Investment in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

An investor determines whether it is a parent by assessing whether it controls one or more investees. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor controls an investee if, and only if, the investor has all of the following elements: power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns) exposure, or rights, to variable returns from its involvement with the investee the ability to use its power over the investee to affect the amount of the investor's returns.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment of financial assets

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology depends on the credit risk of the counterparty whereby for accounts where the credit risk is low and there is no significant increase in credit risk since initial recognition, the company recognises expected credit losses that are possible within the next 12 months, while expected credit losses expected over the remaining life of the exposure are recognised when there is a significant increase in credit risk since initial recognition.

The company's main financial assets that are subject to expected credit loss assessment comprise of cash and cash equivalents and amounts owed by related and group companies.

2. Accounting Policies (continued)

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Inventories and work in progress

Inventories and work in progress represents the properties held for construction and sale. The cost of the work in progress includes the purchase of the land on which the development for sale will be constructed including all related direct purchase costs such as duty and professional fees. Cost also includes the development costs such as demolition, excavation and construction together with all the directly attributable costs to finish the property and bringing it to the condition necessary for it to be sold. The cost of the inventories and work in progress also include the borrowing costs that are directly attributable to the acquisition, construction and finishing of the development for resale.

The developed property held for resale is included in the financial statements at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income. When it relates to items recognised directly to equity, income tax is recognised as part of the other comprehensive income and in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Finance costs

Finance costs that are directly attributable to the acquisition, construction and finishing of the development for resale are included as part of the cost of the inventories and work in progress. Other finance costs are recognised as an expense in the period in which they are incurred.

2. Accounting Policies (continued)

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.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. The company recognises revenue as follows:

Property related income

Property sales are recognised when the significant risks and rewards of ownership of the property being sold are 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 in advance and are reported with current liabilities.

Finance income

Finance income comprises interest income recognised on financial assets. Interest income is recognised as it accrued in profit or loss, using the effective interest method.

Dividend Income

Dividend income is recognised when it is received or when the right to receive payment is established.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external values may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

2. Accounting Policies (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the Company. Due to their short-term nature, these are measured at amortised cost and are not discounted.

Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of cash flow, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are included as borrowings under current liabilities.

Capital Disclosures

The Company and Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company and Group set the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity (as shown in the statement of financial position). The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements in relation to the development projects as well as to enable the honouring of all other liabilities including bond interest..

3. Revenue		
		23.10.2018
		to
Group		31.12.2019
		€
Revenue from contracts with customers		883,083
		<u><u> </u></u>
4. Other operating income		
		23.10.2018
		to
Group		31.12.2019
		€
Waiver of amounts payable		360
		<u><u> </u></u>
5. Income from investments		
	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Dividend income	-	100,000
	<u><u> </u></u>	<u><u> </u></u>
6. Finance income		
	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Bank interest	184	161
Interest on loans to subsidiary	-	1,163,800
	<u><u> </u></u>	<u><u> </u></u>
	184	1,163,961
	<u><u> </u></u>	<u><u> </u></u>

7. Finance costs

	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Included in this category is the following:		
On bank overdrafts	71	-
On related party loans	27,778	27,778
Bond interest	-	680,000
On overdue tax	25	-
	<u>27,874</u>	<u>707,778</u>

Bond interest

In the consolidated financial statements of the Group, the amount of bond interest payable is classified as a direct development cost in view that it is directly related to the financing of the properties purchased for development and resale. In terms of IAS 23 the interest is being capitalised as part of inventory, and then expensed as a direct cost when the properties are sold.

8. (Loss) / profit for the period

	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
(Loss) / profit for the period is stated after charging:		
Employer's social security costs	9,389	9,389
Directors' remuneration	355,869	355,869
Depreciation of property, plant & equipment	856	-
Auditors' remuneration	20,060	9,440
	<u>385,174</u>	<u>474,708</u>

Directors' emoluments

	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Emoluments for services as directors	355,869	355,869
Social security costs on directors emoluments	9,389	9,389
	<u>365,258</u>	<u>365,258</u>

9. Taxation

- a) Taxation is provided for at the rate of 35% for company profits, except for certain bank interest receivable which is taxed at 15% and sales of property which are taxed 8% as a Final Withholding Tax.

	Group 31.12.2019	Company 31.12.2019
	€	€
Current year taxation		
Income tax on the taxable income for the period	59,049	24
Deferred taxation		
Transfer from deferred taxation account	(20,545)	(20,545)
	<u>38,504</u>	<u>(20,521)</u>

- b) The accounting profit and the tax expense for the period are reconciled as follows:

	Group 31.12.2019	Company 31.12.2019
	€	€
(Loss)/profit on ordinary activities before taxation	<u>(86,548)</u>	<u>41,461</u>
Tax on accounting profit at 35%	(30,292)	14,511
Tax effect on:		
Expenses disallowed for tax purposes	68,833	-
Different tax rate charged on bank interest receivable	(37)	(32)
Exempt income	-	(35,000)
Tax expense/(income) for the period	<u>38,504</u>	<u>(20,521)</u>

c) The asset for deferred tax is analysed as follows:

	Group	Company
	31.12.2019	31.12.2019
	€	€
Unabsorbed tax losses and capital allowances	20,545	20,545
Deferred tax asset	<u>20,545</u>	<u>20,545</u>

Deferred tax assets and liabilities are offset when the income tax relates to the same fiscal authority.

Provision was made for deferred tax for all temporary differences on the basis of the balance sheet liability method using a principal tax rate of 35%.

10. Goodwill

Group	Goodwill
	€
Cost	
Additions	43,367
At 31 December 2019	<u>43,367</u>
Net book values	
At 31 December 2019	<u>43,367</u>

11. Property, plant and equipment

Group	Plant, machinery & equipment
	€
Cost	
Additions	2,122
At 31 December 2019	<u>2,122</u>
Depreciation	
Charge for the period	856
At 31 December 2019	<u>856</u>
Net book values	
At 31 December 2019	<u>1,266</u>

12. Investment in subsidiaries

The Group parent company Best Deal Properties Holding p.l.c included in this consolidation holds 100% of the share capital of the following companies:

Subsidiary undertaking	Registered or principal office	Date of Incorporation
Elite Developments Limited (C74282)	63, J.L. Building, Luqa Road, Paola	9 February 2016
PJCE Properties Limited (C85050)	63, J.L. Building, Luqa Road, Paola	22 February 2018
Best Deal Developments Limited (C89191)	63, J.L. Building, Luqa Road, Paola	31 October 2018

The Company was incorporated as a special purpose vehicle to act as a parent holding company with the intended purpose to raise finance for the development of real estate properties through its subsidiaries. The Company acquired Elite Developments Limited and PJCE Properties Limited on 13 November 2018 which were already engaged in the development of three construction projects. The aim was to re-invest the profits from these projects in the Group to finance new developments.

Elite Developments Limited was acquired by the Group on 13 November 2018 by exchange of shares. In this respect, a bargain purchase gain of €515,044 was made in view of the net asset value at date of acquisition of the company being more than the purchase consideration. The bargain purchase gain made was included in the statement of comprehensive income, in line with IFRS 3 'Business Combinations'.

PJCE Properties Limited was acquired by the Group on 13 November 2018 by exchange of shares. In this regard, goodwill of €43,367 was recognised and recorded as an intangible asset in the statement of financial position, in view of the net asset value at date of acquisition of the company being less than the purchase consideration.

Best Deal Developments Limited was incorporated by the parent company on 31 October 2018. This subsidiary acts as guarantor of Best Deal Properties Holding p.l.c and shall be undertaking further property development for the Group.

Details of the acquisition of the subsidiaries are as follows:

	Elite Developments Limited €	PJCE Properties Limited €
Property, plant & equipment	1,662	-
Work in progress	3,973,329	1,978,825
Trade and other receivables	2,388,680	27,098
Cash and cash equivalents	(114,778)	39,486
Long-term borrowings	(2,324,750)	(1,100,000)
Trade and other payables	(1,194,057)	(131,690)
Income tax liabilities	(4,760)	-
Short-term borrowings	(2,170,282)	(707,085)
Net assets acquired	555,044	106,634
Goodwill	-	43,366
Gain on acquisition	(515,044)	-
Acquisition-date fair value of total consideration transferred	40,000	150,000
Representing:		
Exchange of shares by shareholders	40,000	150,000

The following summarizes the financial position and performance of the Company's subsidiaries as at and for the period ended 31 December 2019.

Subsidiary undertaking	Capital and reserves €	Profit/(loss) for the year €
Elite Developments Limited	495,228	49,337
PJCE Properties Limited	99,766	(6,868)
Best Deal Developments Limited	(101,592)	(151,592)

13. Financial assets at amortised cost

Company		31.12.2019 €
Non-current		
Loan to subsidiary	<i>Note</i>	16,763,800
Current		
Loan to subsidiary	<i>Note</i>	2,324,750

Loan to subsidiary - Non-current

Amounts are unsecured, bear interest at 7% per annum and are repayable within 6 years.

Loan to subsidiary - Current

These amounts are unsecured, interest free and are repayable within one year.

14. Inventories

Group	31.12.2019
	€
Property held for development and sale	26,432,337

15. Trade & other receivables: Current

	Group	Company
	31.12.2019	31.12.2019
	€	€
Trade receivables	2,500	-
Amounts owed by subsidiaries	<i>Note</i> -	767,983
Amounts owed by other related parties	<i>Note</i> 83,380	-
Other debtors	47,433	-
Prepayments and accrued income	23,168	23,168
	<u>156,481</u>	<u>791,151</u>

Amounts owed by subsidiaries

These amounts are unsecured, interest-free and repayable within one year.

Amounts owed by other related parties

Amounts are unsecured, interest-free and repayable upon demand.

16. Notes to the Statement of cashflows

Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	Group	Company
	31.12.2019	31.12.2019
	€	€
Cash at bank and in hand	800,635	325,817
Overdrafts	(15,516)	(15,516)
	<u>785,119</u>	<u>310,301</u>

17. Share capital

31.12.2019

€

Authorised

3,500,000 Ordinary shares of €10c each

350,000

Issued

3,125,000 Ordinary shares of €10c each 100% paid up

312,500

18. Other equity

This amount represents an amount owed to the shareholders of the Company. These shareholders' loans have no fixed redemption date, do not carry an right to any interest and is repayable only at the sole discretion of the Company.

19. Basic earnings per share

	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
(Loss)/profit for the period attributable to owners of the Company	(125,052)	61,982
Number of ordinary shares	3,125,000	3,125,000
Basic earnings per share	-	0.02

20. Trade & other payables

	Group	Company
	31.12.2019	31.12.2019
	€	€
Trade payables	50,671	4,255
Other creditors	1,748,817	5,021
Accruals	1,015,212	15,302
Amounts owed to related companies	<i>Note</i> 3,338	1,463
	<u>2,818,038</u>	<u>26,041</u>

Amounts owed to related companies

Amounts are unsecured, interest-free and repayable upon demand.

21. Current Income Tax Liabilities

	Group	Company
	31.12.2019	31.12.2019
	€	€
The tax provision is made up of :-		
Provision for the year	63,809	24
Additional tax charged	25	-
Settlement tax paid	(4,760)	-
Tax paid at source	(57,573)	(24)
Balance at end of year	<u>1,501</u>	<u>-</u>

22. Borrowings

	Group	Company
	31.12.2019	31.12.2019
	€	€
Non-current		
160,000 4.25% Secured Bonds 2024	<i>Note</i> 15,671,914	15,671,914
Bank borrowings	<i>Note</i> 1,284,754	-
Related party borrowings	<i>Note</i> 1,262,414	1,200,000
	<u>18,219,082</u>	<u>16,871,914</u>
Current		
Bank overdrafts	15,516	15,516
Amounts owed to related companies	<i>Note</i> 12,854	-
Bank borrowings	<i>Note</i> 3,022,082	-
	<u>3,050,452</u>	<u>15,516</u>

Amounts owed to related companies

Amounts are unsecured, interest-free and repayable upon demand.

Bank borrowings: Non-current

The bank loan is secured by a charge over all the assets of the subsidiary PJCE Properties Limited and by guarantees by the directors of the same subsidiary. It bears interest at the rate of 2.75% per annum over the bank's base rate. The loans are to be repaid in full by May 2021 upon the completion of the development project in Mqabba.

Bank borrowings: Current

The bank loan is secured by a charge over the fixed assets of the subsidiary Elite Developments Limited and guarantees by the shareholders of the same subsidiary. It bears interest at 4.5% per annum and is repayable from the proceeds of Blue Moon Court which will be sold in 2020.

Related party borrowings

These amounts are unsecured and bear interest of 6.667% per annum. The rights of the lender in respect of these loans are subordinated to the rights of the bondholders of the Company with regards to the issue of €16,000,000 4.25% Secured Bonds 2024 and accordingly any payment of the loans shall be in all respects conditional on their being certainty that dues to bondholders are secured.

Bonds issued

Best Deal Properties Holding p.l.c issued 160,000 bonds with a face value of €100 each, for an aggregate amount of €16 million. The bonds have an interest of 4.25% per annum, payable annually in arrears on 12 December. The nominal value of the secured bonds is repayable in full upon maturity on 12 December 2024. The bonds are guaranteed by Best Deal Developments Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon. The bonds are measured at the amount of the bond issue of €16 million net of the bond issue costs which are being amortised over the lifetime of the bonds, as follows:

	31.12.2019
	€
Original face value of bonds issued	16,000,000
Bond issue costs	(400,376)
Accumulated amortisation	72,290
Closing net book amount of bond issue costs	(328,086)
Amortised cost and closing carrying amount of the bonds	<u>15,671,914</u>

23. Post Balance Sheet Events

The Coronavirus (COVID-19) pandemic is affecting business on a national and worldwide level. The Company and its subsidiaries are closely monitoring the possible impact on its operations and financial performance and is committed to take all necessary steps to mitigate any impact. The Company is assessing the situation on an on-going basis, in order to enable executive management to take the necessary decisions in the interest of all stakeholders. In view of the unprecedented circumstances it is too early to quantify the effects on the Group's operations and performance.

24. Related party transactions

	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Transactions with related parties :		
Development costs paid to Best Deal Properties Limited	48,781	-
Safety and security expenses paid to Best Deal Properties Limited	9,499	-
Administration & advertising costs paid to Best Deal Properties Limited	140,475	-
Interest receivable from Best Deal Developments Limited	-	1,163,800
Dividends from Elite Developments Limited	-	100,000
Interest paid to C Developments Limited	27,778	27,778
	<u> </u>	<u> </u>
	Group	Company
	23.10.2018	23.10.2018
	to	to
	31.12.2019	31.12.2019
	€	€
Key management compensation:		
Directors' salaries	355,869	355,869
	<u> </u>	<u> </u>

Loans to related parties

	Group	Company
	31.12.2019	31.12.2019
	€	€
Amounts owed by subsidiaries :		
Amounts advanced during the period	-	767,983
	<u> </u>	<u> </u>
Loans to subsidiaries :		
Loans advanced during the period	-	17,924,750
Interest charged	-	1,163,800
	<u> </u>	<u> </u>
Closing balance	-	19,088,550
	<u> </u>	<u> </u>
Amounts due from related companies		
Amounts advanced during the year	83,380	-
	<u> </u>	<u> </u>
Total loans and amounts due from related parties :		
Advanced during the year	83,380	18,692,733
Interest charged	-	1,163,800
	<u> </u>	<u> </u>
Closing balance	83,380	19,856,533
	<u> </u>	<u> </u>

Loans from related parties

	Group	Company
	31.12.2019	31.12.2019
	€	€
Loans from shareholders:		
Loans advanced during the period	1,262,414	1,200,000
	<u> </u>	<u> </u>
Loans from related companies :		
Loans advanced during the period	22,500	-
Repayments made	(9,646)	-
	<u> </u>	<u> </u>
Closing balance	12,854	-
	<u> </u>	<u> </u>
Amounts due to related companies		
Amounts advanced during the year	3,338	1,463
	<u> </u>	<u> </u>
Total loans and amounts due to related parties :		
Loans/amounts advanced during the year	1,288,252	1,201,463
Repayments made	(9,646)	-
	<u> </u>	<u> </u>
Closing balance	1,278,606	1,201,463
	<u> </u>	<u> </u>

25. Financial Risk Management

At period end, the Group's main financial assets on the statement of financial position is comprised of cash at banks and trade and other receivables (excluding prepayments and accrued income). There were no off-balance sheet financial assets.

At period end, the Group's main financial liabilities on the statement of financial position is comprised of trade and other payables (excluding accruals), and borrowings. There were no off-balance sheet financial liabilities except as disclosed in note 22 to these financial statements.

Exposure to credit, liquidity and interest-rate risk arise from the Group's activities.

Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which the cash flows will arise.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern and comply with the requirements of the prospectus issued in relation to the bonds while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22 and equity attributable to equity holders, comprising issued share capital, share premium, other equity and retained earnings as disclosed in note 17 & 18 to these financial statements and in the statement of changes in equity.

Credit risk

Credit risk is the risk that one party to a financial instrument will default on its contractual obligations resulting in financial loss to the Group or the Company. Financial assets which potentially subject the Group to concentrations of credit risk consist principally to cash at banks, trade and other receivables (excluding prepayments & accrued income) and financial assets at amortised cost as disclosed in the statement of financial position and in the related notes. The Group does not hold any collateral.

The credit risk relating to cash at bank is considered to be low in view of the management's policy of placing it with reputable financial institutions.

Trade and other receivables are mainly due from related companies. Credit risk in this respect is deemed by the directors to be limited since they are confident that related companies will generate enough future cash flows from their operations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The directors monitor the liquidity risk by reviewing the expected cash flows and matching of the cash inflows and cash outflows arising from the business. The following table analyses the undiscounted contractual cash flows arising from the Group's financial liabilities.

25. Financial Risk Management (continued)

Group	Within	Between	More than	Total
	12 months	1-5 years	5 years	
31 December 2019	€	€	€	€
Bonds payable (including interest)	680,000	18,720,000	-	19,400,000
Bank borrowings (including overdrafts)	3,037,598	1,284,754	-	4,322,352
Related party borrowings	12,854	1,262,414	-	1,275,268
Trade and other payables	1,802,826	-	-	1,802,826
	5,533,278	21,267,168	-	26,800,446

Company	Within	Between	More than	Total
	12 months	1-5 years	5 years	
31 December 2019	€	€	€	€
Bonds payable (including interest)	680,000	18,720,000	-	19,400,000
Bank borrowings (including overdrafts)	15,516	-	-	15,516
Related party borrowings	-	1,200,000	-	1,200,000
Trade and other payables	9,276	-	-	9,276
	704,792	19,920,000	-	20,624,792

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from the bank overdraft which is subject to varying interest rates according to revisions to the bank's base rate. Interest rate on the bonds payable and related party borrowings is fixed (where applicable), while the other financial liabilities are interest-free, thus, interest rate risk does not apply to these financial instruments.

Changes in liabilities arising from financing activities

Group	Related party	Bank	Issue of	Total
	borrowings	Borrowings	shares and Bonds	
	€	€	€	€
Beginning balance	-	-	-	-
Cash flow from financing activities	3,571,335	4,306,836	16,910,064	24,788,235
Net non-cash changes	-	-	(72,290)	(72,290)
Balance at 31 December 2019	3,571,335	4,306,836	16,837,774	24,715,945

Company	Related party borrowings €	Bank Borrowings €	Issue of shares and Bonds €	Total €
Beginning balance	-	-	-	-
Cash flow from financing activities	3,496,972	-	16,910,064	20,407,036
Net non-cash changes	-	-	(72,290)	(72,290)
Balance at 31 December 2019	3,496,972	-	16,837,774	20,334,746

26. Fair value measurement

The Group measures fair value using the fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments

The carrying amount of cash at bank, trade and other receivables (excluding prepayments), trade and other payables (excluding accruals), and other financial liabilities at amortised cost approximate their fair values as at period end in view of the nature of these financial instruments or the relatively short period of time from the period end date to their realisation.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Best Deal Properties Holding p.l.c.

Opinion

We have audited the accompanying financial statements of Best Deal Properties Holding p.l.c. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together "the Group"), set out on pages 10 - 36, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, and of their financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

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

To be best of our knowledge and belief, we declare that we have not provided non-audit services to the parent company and its subsidiaries.

INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for acquisitions

During the financial period ended 31 December 2019, the Group completed two acquisitions that have resulted in the Company acquiring 100% interest in both Elite Developments Limited and PJCE Properties Limited.

Our focus was on assessing whether the acquisition is within the scope of "IFRS 3 Business Combinations" and to assess management's determination of fair value for the identified assets and liabilities acquired.

The Group accounted for such acquisitions using the acquisition method of accounting which requires that assets and liabilities acquired in a business combination are measured at their fair value. Because this is a non-routine transaction and the accounting transaction is significant we consider this a key audit matter for our audit.

Our audit procedures included reviewing the relevant acquisition agreements, evaluating the appropriateness of the acquisition accounting applied and reviewing and considering the appropriateness of the fair values ascribed to assets and liabilities of the acquired businesses. We also considered the adequacy of the related disclosures in the notes to the financial statements.

Carrying value of Inventories

We identified inventories as a key audit matter due to the significance of the balance to the consolidated financial statements. Inventories consist of properties held for development and sale. The cost of the inventories includes the purchase price of the land, development costs, construction costs, professional fees, borrowing costs and all costs that are directly attributable to the acquisition, development, construction and finishing of the properties held for development and sale.

The Group's inventories are stated at lower of cost and net realizable value. At as 31 December 2019, the Group's properties under development amounted to €26,432,337.

Our audit procedures included conducting site visits, on a sample basis, to observe the development progress, assessment of reasonableness of the carrying value based on stage of completion, management's budget and market information.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT - continued

Other Information - continued

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial period on which the financial statements had been prepared is consistent with those in the financial statements; and
- in light of our knowledge and understanding of the Company and the Group, and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors and those charged with governance for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the requirements of the Companies Act (Cap. 386), 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 and the Group'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 and/or the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 and the Group's internal control.

INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibilities for the Audit of the Financial Statements – continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT - continued

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority requires the directors to prepare and include in their Report a Statement of Compliance providing explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the period with those principles.

The Listing Rules also require the auditors to report on the Statement of Compliance prepared by the directors.


We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Appointment

We were first appointed by the directors as auditors of the Company on 29 July 2019 for the financial period ended 31 December 2019.

A handwritten signature in black ink, appearing to be 'Conrad Borg', written over a horizontal line.

*This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of*

RSM Malta
Certified Public Accountants

2 April 2020