CF Estates Ltd.

Report & Consolidated Financial Statements

For the Year Ended 31 December 2023

Company registration number: C 102632

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Directors' report

The directors present their report and the audited consolidated financial statements of CF Estates Ltd. (the "Company") and its subsidiaries (the "Group") for the year 31 December 2023. The directors have prepared the report in accordance with Article 177 of the Companies Act, Cap. 386 including the further provisions as set out on the Sixth Schedule to the Act.

Principal activities

The Company's principal activity is that of a holding company.

The Group comprises the Company and its fully owned subsidiaries, namely CF Business Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd, Finish Furnish Limited, CF Homes Ltd, CF Hotels Ltd, CF Contracting Ltd, CF Leisure Ltd. and CF Estates Finance p.l.c. (the "Issuer").

The principal activities of the Group include the real estate business, hotel operations, leasing of office space, the importation and selling of ceramic tiles, sanitaryware and furniture and other commercial operations.

CF Estates Finance p.l.c. was set up on 26 July 2022 with its principal activity being that of acting as a finance and investment vehicle of the Group. On 22 August 2022, CF Estates Finance p.l.c., issued € 3,500,000 6.50% Secured Notes at a nominal value of €100 per note. On 6 January 2023, the Issuer issued € 30,000,000 5% Secured Bonds (the "Bond") maturing in 2033 at a nominal value of € 100 per Bond. The bond was admitted to the official list of the Malta Stock Exchange with effect from 13 January 2023 and trading commenced on 16 January 2023. Part of the proceeds were utilised to redeem the debentures on 30 January 2023.

The Company also acts as the Guarantor to the bond issued on 6 January 2023.

Review of business

During the year/period under review, the group posted a total comprehensive loss of € 401,030 (2022: total comprehensive income of € 1,609,341). In 2023, the Group incurred administrative costs which include payroll to mobilise its resources for new revenue generating activities that came to fruition in 2024.

Equity
The Company's equity at the end of the year/period under review amounted to € 6,009,693 (2022: € 6,079,027) whilst that of the Group stood at € 7,516,511 (2022: € 7,917,541).

Turnover and cost of sale
The Company's revenue at the end of the year/period under review amounted to € 175,121 whilst that of the Group amounted to € 23,058,356 (2022: € 3,566,686). The increase in revenue resulted mainly from the execution of a larger number of deeds of sale following the construction of the site developed by CF Homes Ltd, a subsidiary of the Company. Revenue is recognised once the deed of sale is signed.

Cost of sales for the year/period under review increased inline with the increase in revenue and amounted to € 15,928,260 (2022: € 2,453,537).

Bond Issue
On 22 August 2022, CF Estates Finance p.l.c. issued € 3,500,000 6.50% Secured Notes at a nominal value of €100 per note. On 6 January 2023, it issued € 30,000,000 5% Secured Bonds maturing in 2033 at a nominal value of € 100 per bond. The bond was admitted to the official list of the Malta Stock Exchange with effect from 13 January 2023 and trading commenced on 16 January 2023. Part of the proceeds were utilised to redeem the debentures on 30 January 2023.

In accordance with the provisions of the Prospectus dated 28 November 2022, the proceeds from the bond issue have been advanced by way of a loan facility to the Guarantor and Parent Company, for the purpose of financing part of the development costs in respect of the real estate developments undertaken by one of its subsidiaries, CF Homes Ltd, refinancing existing bank loans of the hotels undertaken by two of its subsidiaries, Ratcon Ltd and Mistral Hotel Ltd, refinancing of existing bank loans pertaining to the office block owned by another subsidiary CF Business Centre Ltd, and for general corporate funding purposes of the Group.

Hospitality
During the year/period under review, the hotel owned by the one of the subsidiary company, Mistral Hotel Ltd started operating. One of the other two hotels owned by another subsidiary company, Ratcon Ltd, started operating during the first quarter of 2024, while the other hotel is expected to start operating in the second quarter of the same year.

Property Development
Property development during the year/period under review continued at a steady pace. All the projects which benefited from use of Bond proceeds are still ongoing.

Operations
CF Business Centre Ltd welcomed its first tenants in 2022. During the year under review, CF Business Centre Ltd was fully occupied and results were as projected.

The Group is also involved in the retail business of import and sales of tiles, bathrooms, and furniture through Finish Furnish Limited. Due to the unfavourable results of Finish Furnish Limited for the year under review, the directors will be assessing its operations in view of improving future prospects.

In order to expand and diversify the Group's operations, the Company set up a new subsidiary company, CF Leisure Ltd, with the intention to operate an entertainment arena within the Mercury Tower Project, through rental agreement signed with Mercury Commercial Mall Ltd. The entertainment arena started operating on 15 February 2024.

Directors

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

Francis Agius
Clifton Cassar
Stephen Falzon
Duncan Micallef
Joseph Portelli

In accordance with the company's Articles of Association, the present directors remain in office.

Disclosure of information to auditor

At the date of making this report, the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing their report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap. 386 requires the directors to prepare the consolidated financial statements of the group for each financial period which give a true and fair view of the state of affairs of the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap. 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Francis Agius
Director

Clifton Cassar
Director

Registered address:
CF Business Centre, Level 1
Triq Gort, Paceville
San Giljan STJ 9023
Malta

29 April 2024

Consolidated statement of profit or loss and other comprehensive income

	Notes	2023	2022 (6 months)
		€	€
Revenue	5	**23,058,356**	**3,566,686**
Cost of sales		(15,928,260)	(2,453,537)
Gross profit		**7,130,096**	**1,113,149**
Administrative expenses		(4,565,944)	(1,985,641)
Increase in fair value of investment property	10	-	2,071,950
Other expense		(37,589)	-
Other income		75,071	7,309
Operating profit		**2,601,634**	**1,206,767**
Finance income		173,686	-
Finance costs	6	(1,990,135)	(477,575)
Profit before tax	7	**785,185**	**729,192**
Current tax expense	9	(1,226,914)	(65,686)
Deferred tax expense	9	40,699	(593,844)
(Loss) profit for the year/period		**(401,030)**	**69,662**
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Revaluation gain on property and equipment	11	-	2,368,737
Tax effect	9	-	(829,058)
Other comprehensive income for the year/period		-	**1,539,679**
Total comprehensive (loss) income for the year/period		**(401,030)**	**1,609,341**

Consolidated statement of financial position

	Notes	2023	2022
		€	€
Assets			
Non-current			
Investment property	10	13,688,889	13,688,889
Intangible asset		5,424	5,537
Property, plant and equipment	11	24,770,360	15,356,224
Right-of-use assets	12	781,753	644,009
Deferred tax asset	13	1,022,047	842,465
		40,268,473	**30,537,124**
Current			
Inventories	14	30,025,836	24,090,013
Trade and other receivables	15	8,469,878	6,127,120
Cash and cash equivalents	16	2,329,729	519,660
		40,825,443	**30,736,793**
Total assets		**81,093,916**	**61,273,917**

Consolidated statement of financial position – continued

	Notes	2023	2022
		€	€
Equity			
Share capital	17	6,308,200	6,308,200
Revaluation reserve		1,539,679	1,539,679
(Accumulated losses) retained earnings		(331,368)	69,662
Total equity		**7,516,511**	**7,917,541**
Liabilities			
Non-current			
Lease liabilities	18	601,695	436,798
Borrowings	19	48,808,492	24,528,428
Long-term deposits	20	208,235	116,190
Deferred tax liability	13	3,313,270	3,193,687
		52,931,692	**28,275,103**
Current			
Lease liabilities	18	214,195	215,244
Borrowings	19	4,312,877	8,170,068
Trade and other payables	21	16,118,641	16,695,961
		20,645,713	**25,081,273**
Total liabilities		**73,577,405**	**53,356,376**
Total equity and liabilities		**81,093,916**	**61,273,917**

The consolidated financial statements on pages 5 to 33 were approved by the board of directors, authorised for issue on 29 April 2024 and signed on its behalf by:

Francis Agius
Director

Clifton Cassar
Director

Consolidated statement of changes in equity

	Share capital €	Revaluation reserve €	(Accumulated losses) Retained Earnings €	Total equity €
At 30 June 2022	-	-	-	-
Issuance of shares upon incorporation	6,308,200	-	-	6,308,200
Transaction with owners	**6,308,200**	**-**	**-**	**6,308,200**
Revaluation gain on property, plant and equipment	-	1,539,679	-	1,539,679
Profit for the period	-	-	69,662	69,662
Total comprehensive income	**-**	**1,539,679**	**69,662**	**1,609,341**
At 31 December 2022	**6,308,200**	**1,539,679**	**69,662**	**7,917,541**
At 1 January 2023	6,308,200	1,539,679	69,662	7,917,541
Loss for the year	-	-	(401,030)	(401,030)
At 31 December 2023	**6,308,200**	**1,539,679**	**(331,368)**	**7,516,511**

Consolidated statement of cash flows

	Notes	2023	2022 (6 months)
		€	€
Operating activities			
Profit before tax		785,185	729,192
Adjustments	22	2,146,596	(4,299,103)
Net changes in working capital	22	(10,400,769)	(13,521,172)
Taxes paid		(1,246,214)	(65,686)
Net cash used from operating activities		**(8,715,202)**	**(17,156,769)**
Investing activities			
Payments to acquire property, plant and equipment		(9,712,912)	(10,050,798)
Payments to acquire investment property		-	(11,616,939)
Payments to acquire intangible asset		-	(5,650)
Cash used in investing activities		**(9,712,912)**	**(21,673,387)**
Financing activities			
Proceeds on issuance of shares upon incorporation		-	6,308,200
Net proceeds from bank borrowings		20,422,873	32,698,496
Interest paid on bank borrowings		(19,912)	(391,712)
Interest paid on finance lease		(27,132)	(33,400)
Movement in lease liabilities		(229,691)	652,042
Long-term deposits received from customers		92,045	116,190
Net cash generated from financing activities		**20,238,183**	**39,349,816**
Net change in cash and cash equivalents		1,810,069	519,660
Cash and cash equivalents, beginning of year/period		519,660	-
Cash and cash equivalents, end of year/period	16	**2,329,729**	**519,660**

Notes to the consolidated financial statements

1 Nature of operations

The principal activities of the group, through its subsidiaries, pertains to the operation of a real estate business such as hotel operations, leasing of office space, residential developments and the importation and selling of ceramic tiles, sanitaryware and furniture. The hotel operation in one of the subsidiary started trading during the year under review.

2 General information and statement of compliance with International Financial Reporting Standards (IFRSs)

CF Estates Ltd., (the "parent company") a private limited liability company, is the ultimate parent of the group. It was incorporated on 30 June 2022 and is domiciled in Malta. The address of the parent company's registered office, which is also its principal place of business, is CF Business Centre, Triq Gort, Paceville, San Giljan, STJ 9023, Malta.

The consolidated financial statements of the group have been prepared in accordance with the requirements of IFRSs as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap. 386.

The consolidated financial statements are presented in euro (€), which is also the group's functional currency. The amounts presented in the consolidated financial statements have been rounded to the nearest euro.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the group's financial results or position.

Standards and amendments that are effective for the first time in 2023 are:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on these consolidated financial statements and therefore no additional disclosures have been made.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB.

None of these standards or amendments to existing standards have been adopted early by the group.

Standards and amendments that are not yet effective and have not been adopted early by the group include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore no disclosures have been made.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current period have not been disclosed as they are not expected to have a material impact on the group's consolidated financial statements.

4 Material accounting policies

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the consolidated financial statements.

Management has concluded that the disclosure of the group's material accounting policies below and in the succeeding pages are appropriate.

4.1 Overall considerations

The consolidated financial statements have been prepared using the material accounting policies and measurement bases summarised below and in the succeeding pages.

The material accounting policies have been consistently applied by the group.

The consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described below and in the succeeding pages.

4.2 Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007).

4.3 Basis of consolidation

The group financial statements consolidate those of the parent company and its subsidiary undertakings drawn up to 31 December 2023. Subsidiaries are all entities over which the group has power to control the financial and operating policies. CF Estates Ltd. obtains and exercises control through voting rights. The subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The consolidated financial statements have been prepared from the separate financial statements of the following companies comprising the group.

Companies	Nature of business	% ownership 2023	2022
CF Homes Ltd.	Property development and contracting company	100	100
CF Estates Finance P.L.C.	Finance company	100	100
Finish Furnish Limited	Operator of Casafini showroom	100	100
CF Business Centre Ltd.	Leasing operations	100	100
CF Contracting Ltd.	Property contracting company	100	100
Mistral Hotel Ltd	Hotel operations	100	100
Ratcon Ltd	Hotel operations (non-trading)	100	100
CF Hotels Ltd.	Hotel operations (non-trading)	100	100
CF Leisure Ltd.	Entertainment arena operations (non-trading)	100	-

The subsidiaries' financial information has been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME") except Finish Furnish Limited and CF Estates Finance P.L.C. where the financial information has been prepared in accordance with IFRSs as issued by the IASB and as adopted by the EU, and in accordance with the Companies Act, Cap. 386.

Certain adjustments were made in the consolidated financial statements to conform with the basis of preparation of the parent company.

All of the parent company's subsidiaries have their registered address at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta.

4.4 Business combinations

Business combinations of entities not under common control are accounted for by applying the acquisition method in accordance with IFRS 3 'Business Combinations'. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities of the acquiree at the acquisition date, including contingent liabilities regardless of whether or not they were recorded in the financial statements of the acquiree prior to acquisition. On initial recognition, the assets and liabilities of the acquiree are included in the consolidated statement of financial position of the group at their fair values, which are also used as the basis for subsequent measurement in accordance with the group's accounting policies.

4.5 Income and expense recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. The group has generally concluded that it is the principal in its revenue recognition.

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The group often enters into transactions involving a range of products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

The following specific recognition criteria must also be met before the revenue is recognised.

Revenue from sale of properties 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 group's obligations relating to the property are completed and possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts in respect of sales that have not yet been recognised in the consolidated financial statements, due to the fact that the significant risks and rewards of ownership still rest with the group, are treated as payments received in advance and are reported within current liabilities.

Rental income arising from operating lease on investment property is accounted for on a straight-line basis over the base term.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Administrative expenses are recognised in the consolidated statement profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

4.6 Borrowing costs

Borrowing costs primarily comprise interest on the group's borrowings. Borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

4.7 Employee benefits

Contributions toward the state pension in accordance with local legislation are recognised in the consolidated statement profit or loss and other comprehensive income when they are due.

4.8 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the group and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in the consolidated statement profit or loss and other comprehensive income in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in the

consolidated statement profit or loss and other comprehensive income in the period of derecognition.

Rental income and operating expenses from investment property are reported within 'revenue' and 'administrative expenses', respectively.

4.9 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the group's management.

Subsequent to initial recognition, property, plant and equipment are revalued periodically, such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any surpluses arising on revaluation are credited to a revaluation reserve. Any deficiencies resulting from decreases in value are deducted from this reserve to the extent that it is sufficient to absorb them, with any excess charged to profit or loss.

Depreciation is calculated using the straight-line method to write off/down the cost or valuation of assets over their estimated useful lives on the following bases:

Computer and office equipment	10%-25%
Plant and machinery	20%
Motor vehicles	20%
Air conditioners	17%
Furniture, fixtures and fittings	10%
Electrical equipment and plumbing	10%
Building improvements	10%
Building	2%

Depreciation begins when the asset is available for use and continues until the asset is derecognised.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Depreciation is included within 'administrative expenses' in the consolidated statement of profit or loss and other comprehensive income.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in consolidated statement of profit or loss and other comprehensive income within 'other income' or 'administrative expenses'.

4.10 Intangible asset

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use. Intangible asset is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of the asset. The estimated useful life for intangible asset is as follows:

Website	2%

Amortisation method, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

4.11 Leases

The group as a lessee

The group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group;
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the group has the right to direct the use of the identified asset throughout the period of use. The group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the group recognises a right-of-use asset (ROUA) and a lease liability on the consolidated statement of financial position. The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The group depreciates the ROUA on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. The group also assesses the ROUA for impairment when such indicators exist.

At lease commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The lease liability is reassessed when there is a change in the lease payments. The revised lease payments are discounted using the group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the ROUA. The exception being when the carrying amount of the ROUA has been reduced to zero. Then, any excess is recognised in the consolidated statement profit or loss and other comprehensive income.

On the consolidated statement of financial position, the group has opted to disclose the ROUA and lease liability as separate financial statement line items.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a ROUA and lease liability, the payments in relation to these are

recognised within 'administrative expenses' in the consolidated statement profit or loss and other comprehensive income on a straight-line basis over the lease term.

4.12 Impairment of property, plant and equipment and intangible asset

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, management estimate expected future cash flows from each cash-generating unit and determine a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss that has been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

4.13 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expired, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The group does not have any financial assets categorised as FVTPL and FVOCI in the period presented.

The classification is determined by both:

- the group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the consolidated statement profit or loss and other comprehensive income are presented within 'finance costs' or 'finance income'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents and trade and other receivables excluding advances to suppliers, property deposits, prepayments and indirect taxation, fall into this category of financial instruments.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The group's financial liabilities include lease liabilities, borrowings and trade and other payables excluding deposits from customers, indirect tax payable and deferred income.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designates a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement profit or loss and other comprehensive income are included within 'finance costs' or 'finance income'.

4.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash equivalents, cash in hand and at banks. Cash equivalents are short-term highly liquid investments readily convertible to known amount of cash and subject to insignificant risk of changes in value.

4.15 Inventories

Property held for development and re-sale

Property held for development and re-sale ("property inventory") is stated at the lower of cost and net realisable value. The cost includes the purchase price of the property and development costs incurred to date. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing and selling. The cost of development and common costs are apportioned on the basis of the costs absorbed during the stage of development and the cost of land is apportioned on the basis of the floor area.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land;
- Development costs incurred; and
- Planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

When the property inventory is sold, its carrying amount is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of property inventory recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold. Property inventories are classified as non-current when these are expected to be realised after more than one year from reporting date.

Casafini inventories

Casafini inventories are stated as the lower of costs and net realisable value. Cost is determined by the weighted average cost method. Cost is the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.16 Equity

Share capital represents the nominal value of shares that have been issued.

Revaluation reserves pertains to the fair value gains and losses from the remeasurement of property, plant and equipment, net of deferred tax and is not available for distribution to the group's shareholders.

Accumulated losses/retained earnings includes all current retained loss/profits.

4.17 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.18 Income taxes

Tax expense recognised in the consolidated statement profit or loss and other comprehensive income comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. This is assessed based on the group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in consolidated statement profit or loss and other comprehensive income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.19 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the consolidated financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Except as disclosed below, in the opinion of the directors, the accounting estimates and judgements made in the course of preparing these consolidated 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 (Revised).

Significant management judgements

The following are significant management judgements in applying the accounting policies of the group that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax asset

The extent to which deferred tax assets can be recognised is based on an assessment of the possibility of the group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits as uncertainties in various tax jurisdiction. Refer to note 13 for the composition of the group's deferred tax.

Determining whether an arrangement contains a lease

The group uses its judgement in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes an assessment of whether it is dependent on the use of a specific asset or assets, conveys a right to use the asset and transfers substantially all the risk and rewards incidental to ownership to/from the group.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 4.12). In 2023 and 2022, the group did not recognise any impairment loss.

Useful lives and residual values of depreciable assets

Management reviews the useful lives and residual value of depreciable assets at each reporting date, based on the expected utility of the assets to the group. The carrying amounts are analysed in notes 11 and 12. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain fixed assets.

Inventories

Management estimates the net realisable value of inventories taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market driven changes that may reduce future selling prices.

Impairment of trade and other receivables

The group makes an allowance for doubtful debtors based on an assessment of the recoverability of receivables. Allowances are applied to receivables on a case by case basis where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debtors. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

Leases- Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROUA in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the group's stand-alone credit rating).

5 Revenue

	2023 €	2022 (6 months) €
Revenue from sale of properties	17,299,193	2,239,451
Revenue from leasing of office spaces	829,006	1,209,657
Revenue from hotel operations	707,155	117,578
Revenue from finishings and construction	670,333	-
Revenue from sale of Casafini inventories	3,552,669	-
	23,058,356	**3,566,686**

6 Finance costs

	2023 €	2022 (6 months) €
Interest expense on bonds	1,544,868	-
Interest expense on leasing arrangements	27,132	33,400
Interest expense on bank overdrafts	19,554	9,248
Interest expense on bank borrowings	358	382,464
Interest expense on other borrowings	150,000	52,463
Bank charges	248,223	-
	1,990,135	**477,575**

7 Profit before tax

The profit before tax is stated after charging:

	2023 €	2022 (6 months) €
Auditor's remuneration	61,425	48,610
Depreciation of property, plant and equipment and ROUA	554,571	1,427,246
Amortisation of intangible asset	113	113

8 Staff costs

8.1 Key management personnel

Directors' remuneration for the year/period consists of the following:

	2023	2022 (6 months)
	€	€
Short-term benefits		
Directors' remuneration	**353,491**	**221,940**

8.2 Wages and salaries

Wages and salaries for the year/period consist of the following:

	2023	2022 (6 months)
	€	€
Salaries and wages	**3,025,952**	**983,255**

8.2 Average number of employees

The average number of persons employed by the group during the year/period was 127 (2022: 59).

9 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the group at 35% and the tax expense actually recognised in the consolidated statement profit or loss and other comprehensive income can be reconciled as follows:

	2023	2022 (6 months)
	€	€
Profit before tax	785,185	729,192
Effective tax rate	35%	35%
Expected tax expense	**(274,815)**	**(255,217)**
Tax effect of:		
- Non-deductible expenses	(788,107)	(502,404)
- Deferred tax asset not recognised	(595,507)	(130,121)
- PY adjustment in relation to the COS of the property	(28,540)	-
- Effect of sale on property subject to FWT	566,703	162,568
- Effect of consolidation adjustments	(65,949)	1,160,755
- Fair value of property, plant and equipment	-	(829,058)
- Fair value of investment property	-	(1,095,111)
	(1,186,215)	**(1,488,588)**
Comprising:		
Current tax expense	(1,226,914)	(65,686)
Deferred tax income (expense) directly recognised in profit or loss	40,699	(593,844)
Deferred tax expense directly recognised in other comprehensive income	-	(829,058)
	(1,186,215)	**(1,488,588)**

Refer to note 13 for information on the group's deferred taxes.

10 Investment property

	2023 €	2022 €
Fair value		
At 1 January/30 June	13,688,889	-
Additions	-	11,616,939
Increase in fair value	-	2,071,950
At 31 December	**13,688,889**	**13,688,889**

The group owns a building located in San Giljan, Malta. The building known as CF Business Centre, is being leased out to third parties or are vacant. The fair value of the property was determined based on the valuation performed by an independent valuer on 22 November 2022.

The rental income of € 707,155 (2022: € 117,578) is shown within 'revenue' and do not include any amounts from variable lease payments. Direct operating expenses of € 4,380 (2022: € 22,588) are reported within 'cost of sales', none of which is incurred on vacant properties that did not generate rental income.

Although the risks associated with rights that the group retains in underlying assets are not considered to be significant, the group employs strategies to further minimise these risks, for example, collection of a security deposit on signing of lease contract.

The lease contracts are non-cancellable for a period show as 'di fermo' stipulated in each contract that can vary from 1 year to 5 years from commencement of the lease.

Future minimum lease rentals are as follows:

	Minimum lease payments due						
	Within 1 year €	1 - 2 years €	2 - 3 years €	3 - 4 years €	4 - 5 years €	More than 5 years €	Total €
31 December 2023	**687,214**	**723,744**	**749,494**	**773,207**	**471,154**	**568,866**	**3,973,679**
31 December 2022	**269,360**	**304,065**	**315,283**	**326,511**	**260,766**	**280,668**	**1,756,653**

11 Property, plant and equipment

	Land and building €	Building improvements €	Hotels under construction €	Furniture, fixtures, and fittings €	Computer and office equipment €	Plant and machinery €	Motor vehicles €	Electrical equipment and plumbing €	Air conditioners €	Total €
Cost/Fair value										
At 30 June 2022	-	-	-	-	-	-	-	-	-	-
Additions during the year	10,974,008	2,198,899	7,225,912	688,234	208,464	89,670	187,426	30,683	11,344	21,614,640
Reclassifications	(9,754,674)	(1,753,642)	-	(108,623)	-	-	-	-	-	(11,616,939)
Increase in fair value	276,844	-	5,719,088	-	-	-	-	-	-	5,995,932
At 31 December 2022	**1,496,178**	**445,257**	**12,945,000**	**579,611**	**208,464**	**89,670**	**187,426**	**30,683**	**11,344**	**15,993,633**
Accumulated depreciation										
At 30 June 2022	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	60,455	74,349		255,394	160,859	24,753	105,402	6,239	3,055	690,506
Reclassifications	(53,097)	-	-	-	-	-	-	-	-	(53,097)
At 31 December 2022	**7,358**	**74,349**	**-**	**255,394**	**160,859**	**24,753**	**105,402**	**6,239**	**3,055**	**637,409**
Cost/Fair value										
At 1 January 2023	1,496,178	445,257	12,945,000	579,611	208,464	89,670	187,426	30,683	11,344	15,993,633
Additions during the year	4,411,374	22,196	4,705,737	493,948	11,650	11,986	54,721	1,300	-	9,712,912
Reclassifications	5,959,511	-	(6,115,000)	155,489	-	-	-	-	-	-
At 31 December 2023	**11,867,063**	**467,453**	**11,535,737**	**1,229,048**	**220,114**	**101,656**	**242,147**	**31,983**	**11,344**	**25,706,545**
Accumulated depreciation										
At 1 January 2023	7,358	74,349	-	255,394	160,859	24,753	105,402	6,239	3,055	637,409
Depreciation for the year	70,323	31,420	-	96,360	29,321	16,710	46,906	5,786	1,950	298,776
At 31 December 2023	**77,681**	**105,769**	**-**	**351,754**	**190,180**	**41,463**	**152,308**	**12,025**	**5,005**	**936,185**
Net book value/Fair value										
At 31 December 2022	**1,488,820**	**370,908**	**12,945,000**	**324,217**	**47,605**	**64,917**	**82,024**	**24,444**	**8,289**	**15,356,224**
At 31 December 2023	**11,789,382**	**361,684**	**11,535,737**	**877,294**	**29,934**	**60,193**	**89,839**	**19,958**	**6,339**	**24,770,360**

12 Right-of-use of assets

The following table shows the carrying amounts of ROUA recognised and the movements during the year/period.

	2023 €	2022 €
Cost		
At 1 January/30 June	1,380,749	-
Additions during the year	393,539	1,380,749
Expiration during the year	(650,493)	-
At 31 December 2023	**1,123,795**	**1,380,749**
Accumulated depreciation		
At 1 January/30 June	736,740	-
Charge for the year	255,795	736,740
Expiration during the year	(650,493)	-
At 31 December	**342,042**	**736,740**
Carrying amount		
At 31 December	**781,753**	**644,009**

The group has lease contracts for showroom, garages and warehouses used in its operations with a lease term ranging from 2 to 10 years in various locations in Malta. During 2023, certain lease agreements were entered and have expired.

The depreciation charge on ROUA was included in the consolidated statement profit or loss and other comprehensive income.

13 Deferred tax asset (liability)

Deferred taxes arising from temporary differences and deferred taxes recognised can be summarised as follows:

	2023 €	2022 €
Losses carried forward	979,702	866,690
Group losses carried forward	813,655	284,876
Unutilised capital allowances	429,603	222,396
Property, plant and equipment uplift	(96,895)	(96,896)
Tangible fixed assets	(106,702)	23,804
Investment property uplift	(3,096,791)	(3,096,791)
ROUA	(505)	(505)
Deferred tax not recognised	(1,213,290)	(554,796)
	(2,291,223)	**(2,351,222)**
Comprising:		
Deferred tax asset	1,022,047	842,465
Deferred tax liability	(3,313,270)	(3,193,687)
	(2,291,223)	**(2,351,222)**

14 Inventories

	2023 €	2022 €
Property held for development and re-sale	28,295,529	22,267,768
Casafini inventories	1,727,366	1,822,245
Hotel inventories	2,941	-
	30,025,836	**24,090,013**

15 Trade and other receivables

	2023 €	2022 €
Trade receivables - net	1,202,245	1,520,848
Amounts due from shareholders	3,670,231	1,141,826
Accrued income	635,867	94,913
Other receivables	298,754	28,190
Financial assets	**5,807,097**	**2,785,777**
Property deposits	1,461,800	2,113,750
Advances to suppliers	517,460	884,262
Indirect taxation	65,725	258,777
Prepayments	617,796	84,554
Total trade and other receivables	**8,469,878**	**6,127,120**

Financial assets are carried at their nominal value which is considered a reasonable approximation of fair value.

The amounts due from shareholders are unsecured, interest free and are repayable on demand.

16 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2023 €	2022 €
Cash at banks	807,412	519,007
Cash in hand	22,317	653
Cash equivalents	1,500,000	-
Total cash and cash equivalents	**2,329,729**	**519,660**

The group did not have any restrictions on its cash at banks at the reporting date.

17 Share capital

The share capital of CF Estates Ltd. consists of ordinary shares with a par value of € 1 for each class of ordinary shares. The rights attaching to each class of ordinary share shall be equal and shall rank pari passu in all respects. Each holder of class of ordinary share are entitled to nominate and appoint one director each to the Board of the Company, provided that such appointment shall be subject to the approval of other shareholders. The parent company is authorised to issue preference shares and such shares shall carry no voting rights.

	2023 €	2022 €
Shares authorised at 31 December		
2,100,000 Ordinary Class A shares at € 1 each	2,100,000	2,100,000
1,225,000 Ordinary Class B shares at € 1 each	1,225,000	1,225,000
1,225,000 Ordinary Class C shares at € 1 each	1,225,000	1,225,000
1,225,000 Ordinary Class D shares at € 1 each	1,225,000	1,225,000
1,225,000 Ordinary Class E shares at € 1 each	1,225,000	1,225,000
	7,000,000	**7,000,000**
Shares issued and fully paid at 31 December		
1,892,460 Ordinary Class A shares at € 1 each	1,892,460	1,892,460
1,103,935 Ordinary Class B shares at € 1 each	1,103,935	1,103,935
1,103,935 Ordinary Class C shares at € 1 each	1,103,935	1,103,935
1,103,935 Ordinary Class D shares at € 1 each	1,103,935	1,103,935
1,103,935 Ordinary Class E shares at € 1 each	1,103,935	1,103,935
	6,308,200	**6,308,200**

18 Lease liabilities

	2023 €	2022 €
Non-current	601,695	436,798
Current	214,195	215,244
Total	**815,890**	**652,042**

The group's lease term expires on various expiration dates. The leases are included as a ROUA in the consolidated statement of financial position (see note 12).

The lease liability is secured by the related underlying assets. Future minimum lease payments at 31 December 2023 and 2022 are as follows:

	Minimum lease payments			
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	Total €
31 December 2023				
Lease payments	247,955	623,496	60,638	932,089
Finance charges	(33,760)	(79,172)	(3,267)	(116,199)
Net present values	**214,195**	**544,324**	**57,371**	**815,890**

	Not later than one year €	Later than one year but not later than five years €	Later than five years €	Total €
31 December 2022				
Lease payments	238,454	401,568	95,588	735,610
Finance charges	(23,210)	(52,586)	(7,772)	(83,568)
Net present values	**215,244**	**348,982**	**87,816**	**652,042**

19 Borrowings

	2023	2022
	€	€
Current		
Bank loans	3,702,247	6,350,942
Bank overdraft	610,630	359,426
Loans to third parties	-	1,459,700
	4,312,877	**8,170,068**
Non-current		
Bonds	29,442,324	-
Bank loans	19,366,168	24,528,428
	48,808,492	**24,528,428**
Total borrowings	**53,121,369**	**32,698,496**

Bonds

On 22 August 2022, CF Estates Finance P.L.C. (CF Finance) issued € 3,500,000 Secured Notes which matured in 2023. These Secured Notes were issued at a nominal value of € 100 per note and a redemption value of € 103 per note. In accordance with the provisions of the Offering Memorandum dated 22 August 2022, the proceeds from the note issue have been advanced by way of loan facility to the Guarantor and parent company, for the purpose of finance part of the development costs in respect of the real estate developments undertaken by one of the parent company's subsidiaries, CF Homes Ltd. and for the general corporate funding of the group.

On 6 January 2023, MFSA approved the issuance of a further € 30,000,000 Secured Bonds maturing in 2033 with a nominal value of € 100 per bond, issued at par, and with an annual interest of 5% per annum.

On 11 January 2023, CF Finance received the proceeds of the bonds amounting to € 25,996,261, net of sales commissions and other expenses paid in relation to issuance of bonds and early redemptions of the Secured Notes amounting to € 398,739 and € 3,605,000, respectively. The proceeds of the Bonds were used to provide a loan facility to the Guarantor and Parent Company (the "Issuer-Guarantor Loan").

Bank loans

On 5 November 2020, CF Business Centre Ltd. entered into a loan facility agreement with MeDirect Bank (Malta) plc for three bank loans, € 6,500,000 bearing an interest of 4.75% per annum, € 1,300,000 bearing an interest of 4.75% per annum and € 500,000 bearing an interest of 4.75% per annum. These loans were settled during 2023.

CF Homes Ltd. entered into various loan and overdraft facilities agreement with local banks in Malta to finance the acquisition and development of its various properties which will mature in 3 to 4 years with interest rates ranging from 2.26% to 4.25%. Moreover, CF Homes Ltd. obtained loans from third parties to finance the business operations of the group. It has no interest and not secured by the group's property. These loans were repaid during 2023.

On 31 December 2019, Finish Furnish Limited entered into an overdraft and loan facilities agreement with Bank of Valleta to finance the working capital requirements in connection with the running of the new showroom in Birkirkara and to end finance for the refurbishment of the Birkirkara showroom and for the acquisition of the initial stock, respectively. The overdraft facility is repayable on demand while the loan facility is to be repaid in full on 31 March 2023 through monthly instalments of € 3,841.35 each, inclusive of interest. The effective interest rates for bank loans and bank overdraft are 5.65%.

On 19 June 2019, Ratcon Limited entered into a loan facility agreement with BNF Bank plc for two bank loans, € 1,176,000 to finance the purchase of the property unofficially named "Ratton" situated at Ross

Street, St. Julians which has a repayment term of 36 months moratorium on capital payments, meanwhile, interest is to be met monthly, thereafter, 144 monthly instalments for a minimum of € 8,167 excluding interest and another loan amounting to € 735,000 to finance the purchase of the property unofficially named "Constance" situated at St Andrew's street, St. Julians which has a repayment term of 36 months moratorium on capital payments, meanwhile, interest is to be met monthly, thereafter, 144 monthly instalments for a minimum of € 5,104 excluding interest. The interest on these bank loans is 5.25% per annum. These loans were repaid in full during 2023.

On 16 October 2018, Mistral Hotel Ltd entered into a loan facility agreement with MeDirect Bank (Malta) plc for the two bank loans, (1) € 825,000 to end finance the acquisition of the property named "Mistral" situated at Triq L. Apap, St. Julians, Malta and (2) € 2,000,000 to finance the demolition of existing building, construction, finishing and furnishing of a 51-room three-star hotel over the site being acquired under Loan 1. The interest on these bank loans is 4.75% on development period and 4.25% on the remaining term with a maturity period of 12 years. These loans were repaid in full during 2023.

On 22 June 2023, the CF Leisure Ltd (CF Leisure) entered into a loan facility agreement with FCM Bank Limited amounting to € 2,660,000 to finance the one-time payment for CF Leisure to operate an avant-garde entertainment arena payable to Mercury Towers Ltd. The loan has interest of 3.5% per annum plus 3-month EURIBOR applicable from the first drawdown. The loan is to be repaid in full within 10 years from its first drawdown.

On 22 June 2023, CF Hotels Ltd (CF Hotels) entered a loan facilities agreement with FCM Bank Limited to finance the CF Hotel's project. These facilities are interest bearing with 3.5% per annum over the variable 3-month EURIBOR applicable from the date of first drawdown. The first two facilities are to be settled in full within 18 years from first drawdown while the third facility is to be settled in full within 10 years from first drawdown.

These loans are secured by general and special hypothec over the group's assets and guarantees provided by the group's shareholders.

20 Long-term deposits

This account consists of the following:

	2023 €	2022 €
Security deposit – rent	197,035	106,857
Security deposit – water and electricity	11,200	9,333
	208,235	**116,190**

Long-term deposits are security deposits made by the customer as a "security" to the leased premises in case of unnecessary damages is to occur. These are to be refunded to the customer upon termination of the lease or can be applied to any unpaid rentals should the leased premises meet the wear and tear of the property.

21 Trade and other payables

	2023 €	2022 €
Trade payables	2,029,128	3,341,919
Amounts due to third party	800,000	1,955,700
Amounts due to shareholders	85,992	5,992
Accruals	1,760,699	400,140
Other payables	135,885	118,340
Financial liabilities	**4,811,704**	**5,822,091**
Deposits from customers	9,908,993	10,146,361
Indirect tax payable	1,107,742	686,259
Deferred income	290,202	41,250
Total trade and other payables	**16,118,641**	**16,695,961**

Financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value. Amounts due to shareholders are unsecured, interest free and repayable on demand.

22 Cash flow adjustments and changes in working capital

The following cash flow adjustments and changes in working capital have been made to the group's profit before tax to arrive at operating cash flow:

	2023 €	2022 €
Adjustments:		
Depreciation and amortisation	554,684	1,427,359
Interest expense on bank borrowings	358	382,464
Interest expense on lease arrangements	27,132	33,400
Interest expense on bank overdrafts	19,554	9,248
Interest expense on bonds	1,544,868	-
Increase in fair value of investment property	-	(2,071,950)
Increase in fair value of property, plant and equipment	-	(5,995,932)
Consolidation adjustments	-	1,916,308
	2,146,596	**(4,299,103)**

	2023 €	2022 €
Net changes in working capital:		
Change in inventories	(5,935,823)	(24,090,013)
Change in trade and other receivables	(2,342,758)	(6,127,120)
Change in trade and other payables	(2,122,188)	16,695,961
	(10,400,769)	**(13,521,172)**

23 Related party disclosures

The parent company's related parties consist of shareholders, directors, and subsidiary companies.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Transactions with related parties are generally effected on a cost-plus basis. Outstanding balances are usually settled in cash. Amounts due from/to shareholders are shown separately in note 15 and 21, respectively. Transaction with key management personnel is disclosed in note 8.

24 Fair value measurement of investment property

The fair value of the group's investment property located in San Giljan amounting to € 13,688,889 as at 31 December 2023 and 2022 were determined based on valuation performed by an independent, professionally-qualified property architect and is classified within Level 3 of the fair value hierarchy. The significant inputs and assumptions are developed in close consultation with management. The valuation process and fair value changes are reviewed by the directors at each reporting date.

The valuation was carried out using a market value basis, as defined by the Royal Institute of Chartered Surveyors (RICS) Standards, namely, the price at which the land and buildings could be sold under private contract between a willing seller and an arm's length buyer on the date of valuation, it is being assumed that the property is publicly exposed to market, that market conditions permit orderly disposal and that a normal period, having regard to the nature of the property, is available for the negotiation of sale. The investment property was revalued on 22 November 2022. An assessment of the fair value of investment property was performed internally to reflect market conditions to arrive at the fair value as at 31 December 2023 and 2022.

The valuation is based on the comparative and income valuation methodology, and in particular based on open market value for existing use. The gross rental income of the different areas with different uses within the properties has been calculated and capitalised. The risk of the estimated value of the completed development project changes due to changed market conditions over the duration of the project will normally be reflected in the market capitalisations rate used to value the project. This market capitalisation rate as adopted for investment property valuations as defined by RICS Valuation – Global Standards as effective from 31 January 2020 will generally be determined by market transactions of similar trade related property investments. Clearly, due to the differing characteristics of trade related property and the wide variety of lease terms, careful analysis of comparable transactions is essential. In this case, this market capitalisation rate is being calculated at 5.75% on retail and commercial areas.

25 Financial instrument risks

Risk management objectives and policies

The group is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from both its operating and investing activities. The group's risk management is coordinated by the directors and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the group is exposed are described below. See also note 25.4 for a summary of the group's financial assets and liabilities by category.

25.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the group. The group is exposed to this risk for various financial instruments, for example by granting loans and receivables, placing deposits, etc.

The group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting year/period, as summarised below.

	Notes	2023 €	2022 €
Classes of financial assets - carrying amounts			
Financial assets at amortised cost:			
- Trade and other receivables	15	5,807,097	2,785,777
- Cash and cash equivalents	16	2,329,729	519,660
		8,136,826	**3,305,437**

None of the group's financial assets are secured by collateral or other credit enhancements.

Other financial assets at amortised cost

Other financial assets at amortised cost include cash and cash equivalents.

The group banks with local institutions. At 31 December 2023, cash and cash equivalents amounting to € 2,307,412 (2022: € 519,007) are held with local counterparties with credit ratings of A-3 and are callable on demand. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be insignificant to the group.

25.2 Liquidity risk

The group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise borrowings, lease liabilities and trade and other payables (see notes 18, 19 and 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's obligations when they become due.

At 31 December, the group's financial liabilities have contractual maturities which are summarised below.

31 December 2023	Current	Non-current	
	within 1 year	2 to 5 years	later than 5 years
	€	€	€
Lease liabilities	247,955	623,496	60,638
Borrowings	4,312,877	17,888,390	30,920,102
Trade and other payables	4,811,704	-	-
	9,372,536	**18,511,886**	**30,980,740**

31 December 2022	Current	Non-current	
	within 1 year	2 to 5 years	later than 5 years
	€	€	€
Lease liabilities	238,454	401,568	95,588
Borrowings	8,170,068	18,946,430	5,581,998
Trade and other payables	5,822,091	-	-
	14,230,613	**19,347,998**	**5,677,586**

The above amounts reflect the contractual undiscounted cash flows which may differ from the carrying amounts of liabilities at the reporting date.

25.3 Market risks

Foreign currency risk

The group transacts business mainly in euro and had no foreign currency denominated financial assets and liabilities at the end of the financial reporting period under review. Consequently, the group is not exposed to foreign currency risk.

Interest rate risk

The group has no financial instruments subject to floating interest rate, except for cash at banks, which has shown small change in interest rates. As such, the group's management believes that the interest rate risk is not material.

25.4 Summary of financial assets and liabilities by category

The carrying amounts of the group's financial assets and liabilities as recognised at the reporting date of the reporting period under review may also be categorised as follows. See note 4.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2023 €	2022 €
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	15	5,807,097	2,785,777
- Cash and cash equivalents	16	2,329,729	519,660
		8,136,826	**3,305,437**
Non-current liabilities			
Financial liabilities at amortised cost:			
- Lease liabilities	18	601,695	436,798
- Borrowings	19	48,808,492	24,528,428
		49,410,187	**24,965,226**
Current liabilities			
Financial liabilities at amortised cost:			
- Lease liabilities	18	214,195	215,244
- Borrowings	19	4,312,877	8,170,068
- Trade and other payables	21	4,811,704	5,822,091
		9,338,776	**14,207,403**

26 Capital management

The group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders and benefits to other stakeholders by maintaining an optimal capital structure to reduce the cost of capital.

The group is not subject to any externally imposed capital requirements.

The capital structure of the group consists of items presented within equity in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

27 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation by the board of directors.

Grant Thornton Malta
Fort Business Centre,
Level 2
Triq L-Intornjatur, Zone 1
Central Business
District
Birkirkara CBD1050
Malta
T +356 20931000

Independent auditor's report

To the shareholders of CF Estates Ltd.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CF Estates Ltd. and its subsidiaries (the group) set out on pages 5 to 33 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary material accounting policies information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the consolidated financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information

The directors are responsible for the other information. The other information comprises the Directors' report shown on pages 2 to 4 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

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

- the information given in the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the directors' report has been prepared in accordance with the Act.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the consolidated financial statements

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

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

The directors are responsible for overseeing the group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

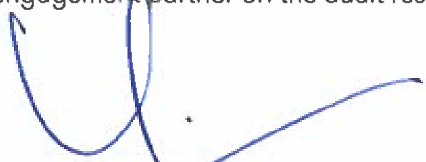
Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

29 April 2024