

**MUSCAT HOLDINGS LIMITED**

**FINANCIAL STATEMENTS**

**31st DECEMBER 2023**

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## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31st DECEMBER 2023

The directors present their report and the audited financial statements of Muscat Holdings Limited for the year ended 31st December 2023.

#### Principal Activities

The statement of profit or loss and other comprehensive income for the year is set out on page 6.

The principal activity of the Company, which is unchanged since last year, is the holding of property held for resale and the holding of investment property for rental purposes. The directors do not envisage any changes to the Company's principal activities in the foreseeable future.

#### Review of business

During the current year, the Company incurred administration expenses of €18,467 (2022 – €25,513). The company made a profit before tax of €911,553 (2022 – €56,048). The profit of this year includes a fair value adjustment on the investment property amounting to €800,000.

#### Results and dividends

The results for the year are shown in the statement of profit or loss and other comprehensive income on page 6.

#### Directors

The Directors of the Company as at 31st December 2023 who held office throughout the year were:-

Adrian Muscat

Edward Camilleri Ellul Bonici (Appointed on 22nd September 2023)

George Muscat (appointed on 28th March 2023 and deceased on 22nd September 2023)

In accordance with the Company's memorandum and articles of association all the Directors remain in office.


#### Auditor

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

Approved by the Board of Directors and signed on its behalf by:



**Adrian Muscat**  
Director



**Edward Camilleri Ellul Bonici**  
Director

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

Date : 29 April 2024

## STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

### Statement of the Directors' Responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Maltese Companies Act 1995. They are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Company are properly safeguarded and that fraud and other irregularities will be prevented or detected.

Approved by the Board of Directors and signed on its behalf by:



**Adrian Muscat**  
Director



**Edward Camilleri Ellul Bonici**  
Director

Date : 29 April 2024

## **Independent auditor's report**

To the Shareholders of Muscat Holdings Limited.

### **Report on the Audit of the Financial Statements for the year ended 31st December 2023.**

#### **Opinion**

I have audited the financial statements of Muscat Holdings Limited, set out on pages 6 to 27 which comprise the statement of financial position as at 31st December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Muscat Holdings Limited as at 31st December 2023, and of the Company's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

#### **Basis for Opinion**

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

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

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of the Directors' Responsibilities.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

With respect to the Directors' Report, I also considered whether the Directors' Report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report, in my opinion, based on the work undertaken in the course of the audit:

The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

The Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Report.

## **Independent auditor's report**

To the Shareholders of Muscat Holdings Limited.

### **Responsibilities of the Directors**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the Company audit. I remain solely responsible for my audit opinion.

## Independent auditor's report

To the Shareholders of Muscat Holdings Limited.

### Report on Other Legal and Regulatory Requirements

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

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

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



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

### TACS Malta Limited

Certified Public Accountant & Registered Auditor

1, Tal-Providenza Mansions  
Main Street  
Balzan  
Malta  
Date: 29 April 2024

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31st DECEMBER 2023**

	Notes	2023 €	2022 €
Revenue	3	-	-
Cost of sales		-	-
<b>Gross profit / (loss)</b>		-	-
Administrative expenses		(18,467)	(25,513)
<b>Operating loss</b>	4	(18,467)	(25,513)
Rental income	3	149,500	144,800
Finance costs	6	(183,690)	(63,242)
Finance income	7	164,210	3
Gain on revaluation of investment property		800,000	-
<b>Profit before taxation</b>		911,553	56,048
Tax expense	8	(99,042)	(18,409)
<b>Profit for the year</b>		<u>812,511</u>	<u>37,639</u>
<b>Total Comprehensive income</b>		<u>812,511</u>	<u>37,639</u>
<b>Earnings per share</b>		<u>4.06</u>	<u>0.19</u>

The notes on pages 10 to 27 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION - 31st DECEMBER 2023**

	Notes	2023 €	2022 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	10,881	13,301
Investment property	10	8,500,000	7,700,000
		8,510,881	7,713,301
<b>Current assets</b>			
Inventory - Development project	11	1,059,577	1,059,477
Trade and other receivables	12	6,496,207	3,804,959
Cash and cash equivalents	13	4,862	453,609
		7,560,646	5,318,045
<b>Total Assets</b>		16,071,527	13,031,346
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	200,000	200,000
Retained earnings		7,717,197	6,904,686
<b>Total equity</b>		7,917,197	7,104,686
<b>Non-current liabilities</b>			
Bank loans	16	4,841,941	2,800,000
Deferred tax	18	680,000	616,000
<b>Total non-current liabilities</b>		5,521,941	3,416,000
<b>Current liabilities</b>			
Bank loans	16	125,669	-
Trade and other payables	17	1,149,919	1,149,458
Other financial liabilities	17	1,336,752	1,342,800
Taxation due		20,049	18,402
<b>Total current liabilities</b>		2,632,389	2,510,660
<b>Total liabilities</b>		8,154,330	5,926,660
<b>Total equity and liabilities</b>		16,071,527	13,031,346

The notes on pages 10 to 27 are an integral part of these financial statements.

The financial statements on pages 6 to 27 were approved by the board of directors and were signed on its behalf by:

  
**Adrian Muscat**  
**Director**

  
**Edward Camilleri Ellul Bonici**  
**Director**

Date : 29 April 2024



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31st DECEMBER 2023**

	Share Capital €	Retained Earnings €	Total €
Balance at 1st January 2022	200,000	6,867,047	7,067,047
<b>Comprehensive income</b>			
Profit for the year	-	37,639	37,639
<b>Balance at 31st December 2022</b>	<u>200,000</u>	<u>6,904,686</u>	<u>7,104,686</u>
Balance at 1st January 2023	200,000	6,904,686	7,104,686
<b>Comprehensive income</b>			
Profit for the year	-	812,511	812,511
<b>Balance at 31st December 2023</b>	<u>200,000</u>	<u>7,717,197</u>	<u>7,917,197</u>

The notes on pages 10 to 27 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31st DECEMBER 2023**

	2023	2022
	€	€
<b>Cash flows from operating activities</b>		
Net profit before taxation	911,553	56,048
Adjustments for:		
Depreciation	2,420	2,419
Finance income	(164,210)	(3)
Finance costs	183,690	63,243
Other income	(149,500)	(144,800)
Fair value of investment property	(800,000)	-
<b>Operating loss before working capital changes</b>	(16,047)	(23,093)
Trade and other receivables	(2,691,248)	(2,269,805)
Inventory	(100)	-
Trade and other payables	461	(13,653)
<b>Cash used in operations</b>	(2,706,934)	(2,306,551)
Finance costs	(183,690)	(63,242)
Income tax paid	(33,395)	(14,993)
Other income	149,500	144,800
<i>Net cash used in operating activities</i>	(2,774,519)	(2,239,986)
<b>Cash flows from investing activities</b>		
Finance income	164,210	3
<i>Net cash from investing activities</i>	164,210	3
<b>Cash flows from financing activities</b>		
Shareholders' loans	1,336,752	(83,945)
Related parties	(1,342,800)	44,094
Bank loans (net)	2,167,610	2,218,085
<i>Net cash from financing activities</i>	2,161,562	2,178,234
<b>Movement in cash and cash equivalents</b>	(448,747)	(61,749)
<b>Cash and cash equivalents at beginning of the year</b>	453,609	515,358
<b>Cash and cash equivalents at end of the year (note 13)</b>	4,862	453,609

The notes on pages 10 to 27 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023

**1 Summary of material accounting policies**

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**1.1 Basis of preparation**

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

*Critical accounting estimates and judgements*

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise their judgements in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

*Standards, interpretations and amendments to published standards effective in 2023*

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period on 1st January 2023.

The Company adopted *Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement)* from 1st January 2023.

The amendments require the disclosure of 'material' rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entry specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Material Accounting Policies in certain instances in line with the amendments.

Other than the above, the adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in substantial changes to the company's policies.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The Company does not expect that new standards, interpretations and amendments will have a material impact on the Company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**1 Summary of material accounting policies**

**1.2 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**1.3 Revenue and cost recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met as described below.

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

Rental income  
Finance income

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

**1.4 Borrowing costs**

Borrowing costs directly attributable to the acquisition and construction of property are capitalised as part of the cost of the project and are included in its carrying amount. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare any distinct part of the project for its sale or intended use is completed. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalized as part of its cost. Borrowing costs are capitalized which acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. All other borrowing costs are recognized as an expense in the profit and loss account in the period as incurred.

**1.5 Bank borrowings**

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial. Bank loans are carried at face value due to their market rate of interest.

**1.6 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**1 Summary of material accounting policies**

**1.7 Property, plant and equipment**

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

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

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

	<b>Years</b>
Office Equipment	5
Furniture & Fittings	10

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

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

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

**1.8 Investment property**

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

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

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

**1.9 Leases**

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

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**1 Summary of material accounting policies**

**1.9 Leases (continued)**

*As a lessor*

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

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

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

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

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

**1.10 Inventory - Development project**

The main object of the Company is the development of land acquired for development and resale. This development is intended in the main for resale purposes, and is accordingly classified in the financial statements as Inventory. Any elements of a project which are identified for business operation or long-term investment properties are transferred at their carrying amount to Property, plant and equipment or investment properties when such identification is made and the cost thereof can reliably be segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

(i) The cost incurred on development works, including demolition, site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs, including imputed interest, attributable to the development phases of the project.

The purchase cost of acquiring the land represents the cash equivalent of the contracted price. This was determined at date of purchase by discounting to present value the future cash outflows comprising the purchase consideration.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023

1 Summary of material accounting policies

1.11 Financial instruments

*i. Recognition and initial measurement*

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

*ii. Classification and subsequent measurement*

*Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss and other comprehensive income.

*iii. Derecognition*

*Financial assets*

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction which either:
  - substantially all of the risks and rewards of ownership of the financial assets are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023

**1 Summary of material accounting policies**

**1.11 Financial instruments (continued)**

***iii. Derecognition (continued)***

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss and other comprehensive income.

***iv. Offsetting***

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

***v. Impairment***

Simplified approach model

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

**1.12 Cash and cash equivalents**

Cash and cash equivalents as shown in the cashflow statement comprises of cash at bank.



**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**1 Summary of material accounting policies**

**1.13 Current and deferred tax**

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

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

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

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

**1.14 Trade and other receivables**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**2 Financial risk management**

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

**2.1 Financial risk factors**

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

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

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

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

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

The Company relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of each of the projects of its subsidiaries. The Company has engaged the services of third party contractors for the development of the projects including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Company's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Company's businesses, and their respective financial condition, results of operations and prospects, that could have a material adverse impact on the Issuer's ability to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

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

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

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

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

The Company may become liable for the costs of removal, investigation, or remediation of any hazardous or toxic substances that may be located on, or in or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Company may also be required to remove or remedy any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have an adverse effect on the Company's operations and financial position.

NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(vi) Property valuations may not reflect actual market values*

The valuations of the properties on which the share acquisitions were based were prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the respective properties, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such property valuations and property-related assets will reflect actual market values.

*(vii) General exposure to funding risks*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**2 Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(ix) Fair value interest rate risk*

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

*(x) Liquidity risk*

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

The Company has a number of bank loan facilities. The directors of the Company believe that full support of its bankers, and the ultimate shareholders will be available as part of the Company effective financing strategy. As such, the Company is confident that it will meet its commitments as and when they fall due.

*(xiii) Credit risk*

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

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

**3 Revenue**

The Company generates revenue from other sources which include rental income from owned and leased investment properties.

	2023	2022
	€	€
Rental income	149,500	144,800
	149,500	144,800

**4 Operating Loss**

The loss for the year is stated after charging :

	2023	2022
	€	€
Depreciation - Note 9	2,420	2,418
Audit fees	2,450	2,300

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**5 Employees**

The Company did not employ any employees.

**6 Finance costs**

	2023	2022
	€	€
Capitalised interest at 1st January	1,000	1,000
Bank Loan Interest	183,690	63,242
Capitalised interest at 31st December	(1,000)	(1,000)
	183,690	63,242

**7 Finance income**

	2023	2022
	€	€
Interest from Maltese banks	-	3
Interest received / receivable from related parties	164,210	-
	164,210	3

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**8 Tax expense**

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

	2023	2022
	€	€
Current income tax		
Income tax on the taxable profits for the year at 35%	35,042	18,409
Deferred taxation	64,000	-
Tax charge	99,042	18,409

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

	2023	2022
	€	€
Net profit for the year	911,553	56,048
Income tax thereon at 35% (statutory local income tax rate)	319,044	19,617
Tax effect of:		
Deferred tax asset arising from claimable losses brought forward not taken as a deferred tax asset due to materiality	845	845
Difference resulting from different tax rates on rents received	1	-
Expenses disallowed for tax purposes	5,617	8,083
Further allowance on rental income	(10,465)	(10,136)
Difference arising on gain on revaluation of property	(216,000)	-
	99,042	18,409

**9 Property, plant and equipment**

	Office Equipment	Furniture & Fittings	Total
	€	€	€
Cost			
At 1st January 2023	2,941	18,307	21,248
Additions during the year	-	-	-
At 31st December 2023	2,941	18,307	21,248
Depreciation			
At 1st January 2023	2,353	5,594	7,947
Charge for the year	588	1,832	2,420
At 31st December 2023	2,941	7,426	10,367
At 31st December 2023	-	10,881	10,881
At 31st December 2022	588	12,713	13,301

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**10 Investment property**

**10.1 Recognition of carrying amount**

	2023	2022
	€	€
Cost/Revaluation		
At 1st January	7,700,000	7,700,000
Change in fair value	800,000	-
At 31st December	8,500,000	7,700,000

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

**10.2 Amounts recognised in profit or loss**

Rental income from the investment property during the year was €149,500 (2022 - €144,800) and was included with revenue, refer to note 3.

**10.3 Measurement of fair value**

*Fair value hierarchy*

The value of investment property is reviewed by the Directors of each company after seeking the professional advice of external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The independent valuers provide the fair value of the Company's investment property portfolio every year.

The independent valuers estimate the market value of the investment property held by the Company as at 31st December 2023 was valued at €8,500,000. The increase in fair value amounting to €800,000 was accounted for through profit and loss.

The valuation of the Investment properties was carried out by using the comparative method and was then cross checked by applying the investment method. By referring to the databases of reputable local real estate agencies, the market values of these properties were checked for comparisons to be drawn. The values were then capitalised at the rate of 5% which is deemed to be the average percentage return on investment for similar properties in Malta.



**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**11 Inventory - Development project**

	2023	2022
	€	€
Property cost of land and development costs	1,059,577	1,059,477
	1,059,577	1,059,477

**12 Trade and other receivables**

	2023	2022
	€	€
Other debtors	2,058	1,860
Amounts due from group companies	6,494,149	3,803,099
	6,496,207	3,804,959

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

**13 Cash and cash equivalents**

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

	2023	2022
	€	€
Cash at bank	4,862	453,609
	4,862	453,609

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**14 Share capital**

	2023	2022
	€	€
<b>Authorised</b>		
200,000 Ordinary shares of €1 each	200,000	200,000
	200,000	200,000
<b>Issued and fully paid up</b>		
200,000 Ordinary shares of €1 each	200,000	200,000
	200,000	200,000

**15 Earnings per share**

Earnings per share is calculated by dividing the result attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
	€	€
Profit for the year	812,511	37,639
Weighted average share in issue	200,000	200,000
Earnings per share	4.06	0.19

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

**16 Borrowings**

	2023	2022
	€	€
<b>Short term - falling due within one year</b>		
Bank loans	125,669	-
Total short term borrowings	125,669	-

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

16	Borrowings (Continued)	2023	2022
		€	€
	<b>Long term - falling due after one year</b>		
	Bank loans	4,841,941	2,800,000
	Total long term borrowings	4,841,941	2,800,000
	<b>Total borrowings</b>	4,967,610	2,800,000
	<b>Maturity of long term borrowings</b>		
	Due after 5 years	4,841,941	2,800,000
		4,841,941	2,800,000

As at 31st December 2023, the Company had a bank loan of €4,967,610 (2022 - €2,800,000) which was taken to part-finance the development of the hotel which is being developed by Juel Hospitality Limited. The interest rate is at 4% per annum. Repayments are to be made over 15 years by monthly installments as laid out in the repayment terms in the sanction letter. The loans are guaranteed by Muscat Holdings Limited and Juel Holdings Limited, which have bound themselves jointly and severally liable for the repayment of the loan and the interest thereon, pursuant and subject to the terms and conditions in the sanction letter.

17	Creditors	2023	2022
		€	€
	<b>Trade and other payables</b>		
	Other creditors	1,147,219	1,147,158
	Accruals	2,700	2,300
		1,149,919	1,149,458
	<b>Other financial liabilities</b>		
	Amounts due to director	10,000	-
	Amounts due to corporate shareholder	1,326,752	-
	Amounts due to related parties	-	1,342,800
		1,336,752	1,342,800
	<b>Total trade and other creditors</b>	2,486,671	2,492,258

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31st DECEMBER 2023**

**18 Deferred taxation**

The deferred tax liability of €680,000 (2022 - €616,000) arose mainly from the deferred tax effect on the revaluation of investment property.

**19 Transactions with related parties**

Companies forming part of Juel Group and Gap Group plc are considered by the directors to be part of the group of companies. Companies having the same shareholders and directors are considered by the directors to be related parties.

During the course of the year the Company entered into transactions with related undertakings all of which arise in the ordinary course of business. The related party transactions were :

	2023	2022
	€	€
<b>Trade and other receivables</b>		
Amounts due from group companies	6,494,149	3,803,099
	<u>6,494,149</u>	<u>3,803,099</u>
<b>Other financial liabilities</b>		
Amounts due to director	10,000	-
Amounts due to corporate shareholder	1,326,752	-
Amounts due to related parties	-	1,342,800
	<u>1,336,752</u>	<u>1,342,800</u>
<b>Rental income</b>		
Rental income from related parties	149,500	144,800
	<u>149,500</u>	<u>144,800</u>

**20 Contingent liabilities**

The Company has a joint and several guarantee to the Security Trustee of Juel Group plc.