CF Homes Ltd. (formerly CF Developers Ltd.)

Report & Financial Statements

31 December 2022

Company registration number: C 96073

Contents

General information

Registration

CF Homes Ltd. (formerly CF Developers Ltd.) is registered in Malta as a private limited liability company under the Companies Act, Cap. 386 with registration number C 96073.

Directors

Francis Agius
Clifton Cassar
Duncan Micallef (resigned 30 June 2022)
Stephen Falzon (resigned 30 June 2022)
Joseph Portelli (resigned 30 June 2022)

Company secretary

Francis Agius

Registered office

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

Auditor

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; 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 company and to enable them to ensure that the financial statements comply with the Companies Act, Cap. 386 enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income statement

	Note	2022	2021 (18 months)
		€	€
Revenue		1,912,503	218,000
Cost of sales		(1,187,243)	(143,425)
Gross profit		**725,260**	**74,575**
Administrative expenses		(628,022)	(287,524)
Operating profit (loss)		**97,238**	**(212,949)**
Finance costs		(185,021)	(12,143)
Loss before tax	**3**	**(87,783)**	**(225,092)**
Tax expenses		(105,827)	(10,900)
Loss for the year		**(193,610)**	**(235,992)**

Balance sheet

	Notes	2022	2021
		€	€
Assets			
Non-current			
Plant and equipment	4	9,721	8,960
		9,721	**8,960**
Current			
Property inventories		22,267,768	3,609,908
Trade and other receivables	5	8,862,225	3,475,139
Cash and cash equivalents		95,428	1,157,868
		31,225,421	**8,242,915**
Total assets		**31,235,142**	**8,251,875**

Balance sheet – continued

	Notes	2022	2021
		€	€
Equity			
Share capital		1,200	240
Accumulated losses		(429,602)	(235,992)
Total deficit		**(428,402)**	**(235,752)**
Liabilities			
Non-current			
Borrowings	6	15,265,654	1,695,687
		15,265,654	**1,695,687**
Current			
Borrowings	6	1,851,662	215,737
Trade and other payables	7	14,546,228	6,576,203
		16,397,890	**6,791,940**
Total liabilities		**31,663,544**	**8,487,627**
Total equity and liabilities		**31,235,142**	**8,251,875**

The financial statements on pages 4 to 13 were approved by the board of directors, authorised for issue on 4 December 2023 and signed on its behalf by:

Francis Agius
Director

Clifton Cassar
Director

Notes to the financial statements

1 Basis of preparation

1.1 Basis of measurement and statement of compliance

The financial statements of CF Homes Ltd. (formerly CF Developers Ltd.) (the "company") have 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"). The financial statements have been prepared on the historical cost basis. These financial statements present information about the company as an individual undertaking.

These are the company's first financial statements prepared under GAPSME. The company's previous financial statements, for the period 8 July 2020 to 31 December 2021, were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The date of transition to GAPSME is the beginning of the earliest period for which the company presents full comparative information in accordance with GAPSME in these financial statements, hence 1 January 2022.

An explanation of how the transition to GAPSME has affected the company's reported financial position and financial performance is provided in note 9.

1.2 Functional and presentation currency

The financial statements are presented in euro (€), which is the company's functional currency.

1.3 Going concern

The financial statements of the company have been drawn up on a going concern basis. As at 31 December 2022, the company had a net deficiency of € 428,402 (2021: € 235,752) and loss after tax of € 193,610 (2021: € 235,992), respectively. The directors have obtained assurances that the parent company has given its assurance that it will maintain its current financial support to enable the company to meet its liabilities as they fall due and to continue its operations in the foreseeable future. On these bases, it is still appropriate to prepare the financial statements on a going concern basis.

2 Significant accounting policies

2.1 Income and expense recognition

Income recognition

Revenue from sale of properties is recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the company's obligations relating to the property are completed and 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 financial statements, due to the fact the significant risks and rewards of ownership still rest with the company, are treated as payments received in advance and are reported with current liabilities.

Administrative expenses

Administrative expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

2.2 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised, while the asset is being constructed as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur.

2.3 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated to write off the cost of plant and equipment on a straight-line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:

Computer and office equipment	25%
Motor vehicles	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition are calculated as the difference between the net disposal proceeds and the carrying amount of the asset. These are included in the income statement in the year the asset is derecognised.

2.4 Property inventories

Property inventories 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 based on 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;
- 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 year in which the related revenue is recognised. The carrying amount of property inventories 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.

2.5 Financial assets, financial liabilities and equity

Recognition, initial measurement and derecognition

A financial asset or a financial liability is recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the company.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

Trade and other receivables

Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment.

Trade and other payables

Trade and other payables are stated at their nominal value unless the effect of discounting is material, in which case trade and other payables are measured at amortised cost using the effective interest method.

Bank borrowings

Subsequent to initial recognition, interest bearing loans are measured at the amortised cost using the effective interest method. Bank loans are carried at their face value due to their market rate of interest.

Share capital issued by the company

Ordinary shares issued by the company are classified as equity. Dividends to ordinary shareholders are debited directly to retained earnings and are recognised as liabilities in the period in which they are declared.

2.6 Impairment

The company's plant and equipment and financial assets are tested for impairment.

Plant and equipment

The carrying amounts of the company's plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The carrying amounts of company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

Financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash in hand. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

2.8 Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3 Loss before tax

The loss before tax is stated after charging:

	2022	2021
	€	€
Auditor's remuneration	11,000	1,000
Depreciation	3,240	2,240

4 Plant and equipment

	Motor vehicles €	Office equipment €	Total €
Cost			
As at 31 December 2021	11,200	-	11,200
Additions during the year	-	4,001	4,001
As at 31 December 2022	**11,200**	**4,001**	**15,201**
Accumulated depreciation			
Depreciation for the year	2,240	-	2,240
As at 31 December 2022	**2,240**	**-**	**2,240**
As at 1 January 2022	2,240	-	2,240
Depreciation for the year	2,240	1,000	3,240
As at 31 December 2022	**4,480**	**1,000**	**5,480**
Net book value			
As at 31 December 2021	**8,960**	**-**	**8,960**
As at 31 December 2022	**6,720**	**3,001**	**9,721**

5 Trade and other receivables

	2022 €	2021 €
Trade receivables	35,500	-
Amounts due from shareholders	1,091,326	208,439
Amounts due from related parties	5,208,775	2,188,542
Other receivables	27,950	1,071,721
Financial assets	**6,363,551**	**3,468,702**
Advances to suppliers	372,137	-
Property deposits	2,113,750	-
Prepayments	12,788	6,437
Total trade and other receivables	**8,862,226**	**3,475,139**

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

6 Borrowings

	2022 €	2021 €
Current		
Loans to third parties	1,459,700	-
Bank overdraft	391,962	-
Bank loans	-	215,737
	1,851,662	**215,737**
Non-current		
Bank loans	**15,265,654**	**1,695,687**
Total borrowings	**17,117,316**	**1,911,424**

The loans to third parties were obtained to finance the business operations of the company. It has no interest and not secured by the company's property. These loans were repaid during 2023.

The company 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%.

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

7 Trade and other payables

	2022	2021
	€	€
Trade payables	677,559	790,379
Amounts due to shareholder	3,337,640	-
Amounts due to related parties	1,283,675	805,700
Amounts due to third party	1,955,700	1,000,000
Accruals	158,681	2,000
Other payables	99,500	3,802,374
Financial liabilities	**7,512,755**	**6,400,453**
Deposit from customers	7,033,473	-
Deferred income	-	175,750
	14,546,228	**6,576,203**

Amounts due to shareholder and related parties are unsecured, interest-free and are repayable on demand.

8 Related party transactions and balances

The company's related parties include the parent company and fellow subsidiary companies. In addition, related parties also include its key management personnel, ultimate beneficial owners and other companies under common control.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees was given or received. Transactions with related parties are generally effected on a cost-plus basis. Outstanding balances are usually settled in cash.

The company is a wholly owned subsidiary of CF Estates Ltd. (the "parent company") whose registered office is at CF Business Centre, Triq Gort, Paceville, St Julians, STJ 9023, Malta.

CF Estates Ltd. is in turn fully owned by Joseph Portelli, Francis Agius, Clifton Cassar, Duncan Micallef and Stephen Falzon.

Amounts due from/to related parties are shown separately in notes 5 and 7.

9 First-time adoption of GAPSME

As explained in note 1, the company first-time adopted GAPSME in these financial statements. The date of transition to GAPSME is 1 January 2022.

The accounting policies applied by the company upon transition to GAPSME were consistent with those applied under IFRSs as adopted by the EU. As a result, the transition to GAPSME had no effect on the company's reported position and financial performance.

10 Post-reporting date events

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

Independent auditor's report

To the shareholder of CF Homes Ltd. (formerly CF Developers Ltd.)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CF Homes Ltd. (formerly CF Developers Ltd.) (the "company") set out on pages 4 to 13 which comprise the balance sheet as at 31 December 2022, and the income statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2022, and of its financial performance for the year then ended 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"), 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 Financial Statements section of our report. We are 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 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 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.

Other matters

The financial statements of the company for the period 8 July 2020 to 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 13 May 2022.

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with GAPSME 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 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 relating 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.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 company'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 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 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.

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 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

4 December 2023

Declaration by Directors pursuant to article 183(3) of the Companies Act

Applicable to accounting periods other than the first accounting period

We, the undersigned directors of **CF Homes Ltd.** having registration no. **C 96073**, do hereby confirm that in respect of the company's financial period ended 31 December 2022, the company qualifies as a small company in terms of article 185 (1) of the Companies Act on the grounds that (***tick the applicable box***):

The company did not exceed the limits of at least two of the below-mentioned three criteria, in respect of both the current accounting period and the previous accounting year;	☒
The company : - did not exceed the limits of at least two of the below-mentioned three criteria in respect of the current accounting period; and - exceeded the limits of at least two of the below-mentioned three criteria in the previous accounting period, but is still entitled to be treated as a small company on the basis of the provisions of article 185(3) of the Companies Act (the two consecutive accounting periods test);	☐
The company exceeded the limits of two of the below-mentioned criteria in respect of the current accounting year but is still entitled to be treated as a small company on the basis of the provisions of article 185(3) of the Companies Act (the two consecutive accounting periods test).	☐

Criteria for a small company	
- Balance Sheet Total:	four million euro (€4,000,000)
- Turnover:	eight million euro (€8,000,000)
- Average number of employees during the accounting period:	fifty (50)

We also confirm that on the basis of the above, the company has taken advantage of the following exemptions (*tick where applicable*):

Directors' report has not been submitted to the Registrar of Companies	☒
Profit and Loss account has not been submitted to the Registrar of Companies **(*Applicable only in the case of a small private exempt company*)**	☐

Name: Francis Agius
Director

Name: Clifton Cassar
Director