CF Estates Ltd.

Report & Financial Statements

31 December 2023

Company registration number: C 102632

Contents

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2023.

Principal activities

CF Estates Ltd. (the company) was incorporated on 30 June 2022. The company acts as a holding company. Its registered office address is at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta.

Results

During the year under review, the company posted a loss of € 69,334 (2022: € 229,173).

Directors

The following have served as directors of the company during the year 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 until such time as they resign or are otherwise removed.

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 financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company 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 company 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 company 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 financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and 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

26 April 2024

Income statement

	Notes	2023	2022 (6 months)
		€	€
Revenue	5	175,121	-
Administrative expenses		(342,842)	(94,225)
Operating loss		**(167,721)**	**(94,225)**
Finance costs	6	(1,611,157)	(63,194)
Finance income		1,709,544	-
Loss before tax for the year/period	7	**(69,334)**	**(157,419)**
Tax expense	9	-	(71,754)
Loss for the year/period		**(69,334)**	**(229,173)**

Statement of financial position

	Notes	2023	2022
		€	€
Assets			
Non-current			
Investment in subsidiaries	10	6,624,159	6,558,199
		6,624,159	**6,558,199**
Current			
Trade and other receivables	11	30,443,844	3,350,625
Cash	12	133,624	2,248
		30,577,468	**3,352,873**
Total assets		**37,201,627**	**9,911,072**

Statement of financial position – continued

	Notes	2023	2022
		€	€
Equity			
Share capital	13	6,308,200	6,308,200
Accumulated losses		(298,507)	(229,173)
Total equity		**6,009,693**	**6,079,027**
Liabilities			
Non-current			
Loan payable	14	29,295,000	-
		29,295,000	
Current			
Loan payable	14	-	3,500,000
Trade and other payables	15	1,896,934	332,045
		1,896,934	**3,832,045**
Total liabilities		**31,191,934**	**3,832,045**
Total equity and liabilities		**37,201,627**	**9,911,072**

The financial statements on pages 4 to 21 were approved by the board of directors, authorised for issue on 26 April 2024 and signed on its behalf by:

Francis Agius
Director

Clifton Cassar
Director

Statement of changes in equity

	Share capital €	Accumulated losses €	Total equity €
At 1 January 2023	6,308,200	(229,173)	6,079,027
Loss for the year	-	(69,334)	(69,334)
Total comprehensive loss	**-**	**(69,334)**	**(69,334)**
At 31 December 2023	**6,308,200**	**(298,507)**	**6,009,693**
At 30 June 2022	-	-	-
Issuance of shares upon incorporation	6,308,200	-	6,308,200
Transaction with owners	**6,308,200**	**-**	**6,308,200**
Loss for the period	-	(229,173)	(229,173)
Total comprehensive loss	**-**	**(229,173)**	**(229,173)**
At 31 December 2022	**6,308,200**	**(229,173)**	**6,079,027**

Statement of cash flows

	Notes	2023	2022 (6 months)
		€	€
Operating activities			
Loss before tax		(69,334)	(229,173)
Finance costs	6	1,611,157	63,194
Finance income		(1,709,544)	-
Loss on early redemption of loan		35,192	-
Operating loss before working capital changes		**(132,529)**	**(165,979)**
Increase in trade and other receivables		(25,383,675)	(12,984)
(Decrease) increase in trade and other payables		(81,460)	154,451
Net cash used in operating activities		**(25,597,664)**	**(26,512)**
Investing activity			
Additional investment in subsidiaries		(65,960)	-
Cash used in investing activity		**(65,960)**	**-**
Financing activities			
Proceeds from subsidiary's loan		25,795,000	3,500,000
Advances to related parties		-	(3,471,240)
Cash generated from financing activities		**25,795,000**	**28,760**
Net change in cash		131,376	2,248
Cash, beginning of year/period		2,248	-
Cash, end of year/period	11	**133,624**	**2,248**

Notes to the financial statements

1 Nature of operations

The principal activity of the CF Estates Ltd. (the company) is to act as a holding company.

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

CF Estates Ltd., a private limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta.

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

At the date of authorisation of these 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 company.

Other standards and amendments that are not yet effective and have not been adopted early by the company 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 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 company's 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 financial statements.

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

4.1 Overall considerations

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

The 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.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently management have elected to present only an income statement.

4.2 Revenue

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

To determine whether to recognise revenue, the company 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) is(are) satisfied

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

4.3 Administrative expense

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

4.4 Borrowing costs

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

4.5 Investment in subsidiaries

Investment in subsidiaries is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At the end of each reporting year/period, the company reviews the carrying amount of its investment in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in the income statement.

4.6 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires, 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 expires.

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)
- fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

- the entity'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 income statement 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 company's cash and trade and other receivables (except prepayments and indirect taxation) fall into this category of financial instruments.

Trade and other receivables

The company 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 company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company 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 company 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 company's financial liabilities include loan payable and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company 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 income statement are included within 'finance costs' or 'finance income'.

4.7 Cash

In the statement of cash flows and statement of financial position, cash comprises demand deposits with banks.

4.8 Equity

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

Accumulated losses include all current prior period results as disclosed in the income statement.

4.9 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 company 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.

4.10 Income taxes

Tax expense recognised in the income statement 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 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 year/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 year/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 company'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 income statement, 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.

4.11 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of 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 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.

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 (Revised).

5 Revenue

	2023 €	2022 (6 months) €
Management fee income	172,165	-
Other income	2,956	-
	175,121	-

6 Finance costs and finance income

	2023 €	2022 (6 months) €
Finance cost		
Interest expense on related party loan	**1,611,157**	**63,194**
Finance income		
Interest income on related parties' loan	**1,709,544**	-

7 Loss before tax

The loss before tax is stated after charging:

	2023 €	2022 (6 months) €
Auditor's remuneration	**15,440**	**15,000**

8 Staff costs

8.1 Wages and salaries

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

	2023 €	2022 (6 months) €
Salaries and wages	1,014,988	-
Social contributions	49,941	-
Salaries recharged (to) from related parties	(1,058,660)	24,399
	6,269	**24,399**

8.2 Average number of employees

The average number of persons employed by the company during the year/period was 34 (2022: nil)

9 Tax expense

The relationship between the expected tax income based on the effective tax rate of the company at 35% (2022: 35%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2023 €	2022 (6 months) €
Loss before tax	(69,334)	(157,419)
Effective tax rate	35%	35%
Expected tax income	**24,267**	**55,097**
Tax effect of:		
- Non-deductible expenses	(1,050)	(55,097)
- Deferred tax asset not recognised	(23,217)	(71,754)
Actual tax expense – consideration for losses claimed	**-**	**(71,754)**

10 Investment in subsidiaries

	2023 €	2022 €
At 1 January/30 June	6,558,199	-
Additions	65,960	6,558,199
At 31 December	**6,624,159**	**6,558,199**

Name of subsidiaries	Place of incorporation	Proportion ownership interest 2023 %	Proportion ownership interest 2022 %	Holding	Portion voting power held 2023 %	Portion voting power held 2022 %	Principal activities
CF Homes Ltd.	Malta	100	100	Direct	100	100	Property development and contracting company
CF Estates Finance p.l.c.	Malta	100	100	Direct	100	100	Finance company
Finish Furnish Limited	Malta	100	100	Direct	100	100	Operator of Casafini showroom
CF Business Centre Ltd.	Malta	100	100	Direct	100	100	Leasing operations
CF Contracting Ltd.	Malta	100	100	Direct	100	100	Property contracting company
Mistral Hotel Ltd	Malta	100	100	Direct	100	100	Hotel operations (non-trading)
Ratcon Ltd	Malta	100	100	Direct	100	100	Hotel operations (non-trading)
CF Hotels Ltd.	Malta	100	100	Direct	100	100	Hotel operations (non-trading)
CF Leisure Ltd.	Malta	100	-		100	-	Entertainment arena operations (non-trading)

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

During 2023, the company set-up a new subsidiary, CF Leisure Ltd. with capital infusion of € 1,200. This new subsidiary will be in the entertainment operations of the group. In 2024, CF Leisure Ltd started its operations. Moreover, the company invested additional capital to CF Homes Ltd. amounting to € 50,000 to finance the company's subsidiary's operations whereas, the company invested additional capital to CF Hotels Ltd amounting to € 14,760.

11 Trade and other receivables

	2023 €	2022 €
Trade receivables	4,377	-
Amounts due from shareholders	2,000,000	-
Amounts due from related parties	28,408,546	3,337,641
Financial assets	**30,412,923**	**3,337,641**
Indirect taxation	30,921	7,558
Prepayments	-	5,426
Total trade and other receivables	**30,443,844**	**3,350,625**

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

Amounts due from related parties are unsecured, interest free and are repayable on demand. Included in the amounts due from related parties are loans to the subsidiaries, which are unsecured, interest bearing and are repayable on demand.

12 Cash

Cash include the following component:

	2023 €	2022 €
Bank balances	133,624	2,248
Total cash	**133,624**	**2,248**

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

13 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 to each to the board of the company, provided that such appointment shall be subject to the approval of other shareholders. The 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**

14 Loan payable

	2023 €	2022 €
Current:		
Loan payable to subsidiary	-	**3,500,000**
Non-current:		
Loan payable to subsidiary	**29,295,000**	-

On 22 August 2022, CF Estates Finance p.l.c. issued € 3,500,000 secured notes which will mature in 2023. These secured notes were issued at a nominal value of € 100 per note and at a redemption value of €103 per note. The secured notes were repaid using the bonds proceeds.

In accordance with the provisions of the Offering Memorandum dated 22 August 2022, the net proceeds from the note issue have been advanced by way of a loan facility to CF Estates Ltd (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 Developers Ltd., and for the general corporate funding purposes of the group.

On 11 January 2023, CF Estates Finance p.l.c. ("the Issuer") issued a € 30,000,000 5% Secured Bonds under the terms and conditions set out in the Bond Prospectus dated 28 November 2022. The Secured Bonds have been issued subject to joint and several guarantee of CF Estates Ltd ("the Guarantor") and the granting of the special hypothec by the Sureties over the Security Property respectively owned by them, which Guarantor and Sureties have by the resolutions of their respective Board of Directors of the 4th of

November 2022 determined to constitute and secure the same on Deed of Hypothec issued on the same date above.

The proceeds of the Secured Bonds amounting to € 25,795,000, 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, were used by the Issuer to provide a loan facility to the Guarantor. In addition, the Issuer also retained € 201,261 from the Bond proceeds which were used for the payment of remaining expenses of the Bond Issue, including fees due to advisers.

In turn, the Issuer-Guarantor Loan will be used for the following purposes of the Group, in the amounts and order of priority set out below:

- Conversion of Existing Secured Notes into Bonds
- Re-financing of Relevant Bank Loans
- Re-financing of outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022
- Development costs of the Hotels
- Development costs of certain residential projects
- General corporate funding

The Issuer-Guarantor Loan bears an interest at 6% per annum payable on 2 January of each year, and the outstanding loan amount thereof shall be repayable by not later than 2 January 2033: provided that where the Issuer exercises its discretion to redeem the Bonds earlier than the Full Term Redemption Date, on a Designated Early Redemption Date at any time from and including 6 January 2028 at the Redemption Value, by giving at least 30 days notice to the Bondholders.

On 1 February 2023, CF Estates Finance p.l.c. executed a loan termination agreement that the indebtedness of the Company towards it under Secured Notes Proceeds Loan Agreement dated 31 August 2022 has been fully replaced by the indebtedness of € 3,605,000 forming part of the Issuer-Guarantor Loan (as defined in the Bond Prospectus) granted by the Lender to the Borrower under the Deed of Hypothec out of the proceeds of the issue of the Listed Bonds and that the Borrower does not owe any further amounts to the Lender under the said Secured Notes Proceeds Loan Agreement.

15 Trade and other payables

	2023	2022
	€	€
Trade payables	34,752	35,230
Amounts due to related parties	1,835,294	267,506
Accruals	26,888	29,309
	1,896,934	**332,045**

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

16 Related party disclosures

The 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 was 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 related parties are shown separately in notes 11, 14 and 15.

16.1 Related party transactions

Transactions with related parties for the year/period are as follows:

	2023	2022
	€	€
Management fee income	172,165	-
Interest income on related parties loans	1,709,544	-
Interest expense on related party loan	1,611,157	63,194
Salaries recharged (to) from related parties	(1,058,660)	24,399

17 Financial instrument risk

Risk management objectives and policies

The company 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 company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the company is exposed are described below. See also note 17.4 for a summary of the company's financial assets and liabilities by category.

17.1 Credit risk

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

The company'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	11	30,412,923	3,337,641
- Cash	12	133,624	2,248
		30,546,547	**3,339,889**

None of the company's financial assets is secured by collateral or other credit enhancements.

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from related parties and cash.

With respect to balances with related parties (see note 11), the company assesses the credit quality of these related parties by taking into account financial position, performance and other factors. Management take cognisance of the related party relationship with these entities and settlement arrangements in place and does not expect any losses from non-performance or default.

The company banks with local institutions. At 31 December 2023, cash amounting to € 133,624 (2022: € 2,248) are held with local counterparties 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 company.

17.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise loan payable and trade and other payables (see notes 14 and 15). 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 company's obligations when they become due.

As at 31 December 2023, the company's financial liabilities have contractual maturity within one year (including, interest payments where applicable) as summarised below:

	Notes	2023 €	2022 €
31 December			
Loan payable	14	-	3,500,000
Trade and other payables	15	1,896,934	332,045
		1,896,934	**3,832,045**

17.3 Market risk

Foreign currency risk

The company 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 company is not exposed to foreign currency risk.

Interest rate risk

The company has no financial instruments subject to floating interest rate. As such, the company's management believes that the interest rate risk is not material.

17.4 Summary of financial assets and financial liabilities by category

The carrying amounts of the company's financial assets and financial liabilities as recognised at the reporting date of the reporting year/period under review may also be categorised as follows. See note 4.6 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	11	30,412,923	3,337,641
- Cash	12	133,624	2,248
		30,546,547	**3,339,889**
Noncurrent liabilities			
Financial liabilities at amortised cost:			
- Loan payable	14	29,295,000	-
		29,295,000	**-**
Current liabilities			
Financial liabilities at amortised cost:			
- Loan payable	14	-	3,500,000
- Trade and other payables	15	1,896,934	332,045
		1,896,934	**3,832,045**

18 Capital management

The company'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 company is not subject to any externally imposed capital requirements.

The capital structure of the company consists of items presented within equity in the balance sheet. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid, issue new shares or sell assets to reduce debt.

19 Post-reporting date events

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

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 financial statements

Opinion

We have audited the financial statements of CF Estates Ltd. (the company) set out on pages 4 to 21 which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary material accounting policies information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company 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 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 information

The directors are responsible for the other information. The other information comprises the Directors' report shown on pages 2 and 3 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

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

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

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 financial statements are prepared is consistent with the 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 company 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 financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and 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

26 April 2024