Registration Number C 89191

Best Deal Developments Limited

Report and Financial Statements

for the year ended 31 December 2022

Contents

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal Activity

The company is mainly engaged in property development for resale.

Business Review

During 2022 the company was engaged in three developments: Mellieha, Zabbar and Pembroke. As at the end of the financial year the construction of all three developments was 100% completed. With respect to finishing of the developments, Zabbar was 95% completed, Pembroke 100% completed and Mellieha 60% completed. During this financial year the company sold units from all the three developments.

The profit on the company's activities for the year after taxation amounted to € 2,718,238 (2021: € 2,017,806).

Dividends

The directors do not recommend the payment of a dividend and propose to transfer the retained profit to reserves.

Directors

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

Christopher Attard
Erskine Vella
Robert Buttigieg
Pierre Bartolo

Directors' Responsibilities

The Companies Act (Cap. 386), enacted in Malta, requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these 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). They 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.

Auditors

RSM Malta, have intimated their willingness to continue in office. A proposal to reappoint them as auditors of the company will be put to the General Meeting.

This report was approved by the Board of Directors on 17 April 2023 and were signed on its behalf by:

Christopher Attard
Director

Pierre Bartolo
Director

Statement of Comprehensive Income
for the year ended 31 December 2022

	Notes	2022 €	2021 €
Revenue		13,691,672	12,701,293
Cost of sales		(10,037,471)	(10,050,103)
Gross profit		3,654,201	2,651,190
Administrative expenses		(317,851)	(65,176)
Profit before taxation		3,336,350	2,586,014
Income tax expense	5	(618,112)	(568,208)
Profit for the year	4	2,718,238	2,017,806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,718,238	2,017,806

The notes on pages 7 to 18 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2022

	Notes	2022 €	2021 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	507	760
Deferred tax assets	5	23,534	1,938
		24,041	2,698
Current Assets			
Inventories	7	16,537,182	19,873,324
Trade and other receivables	8	1,715,430	1,110,656
Cash and cash equivalents	12	1,126,581	157,240
		19,379,193	21,141,220
Total Assets		19,403,234	21,143,918
EQUITY			
Capital and Reserves			
Share capital	9	50,000	50,000
Other equity		200,000	200,000
Retained earnings		5,025,847	2,307,609
Total Equity		5,275,847	2,557,609
LIABILITIES			
Non-Current Liabilities			
Long-term borrowings	11	10,079,581	15,135,118
		10,079,581	15,135,118
Current Liabilities			
Trade and other payables	10	4,047,806	3,451,191
		4,047,806	3,451,191
Total Liabilities		14,127,387	18,586,309
Total Equity and Liabilities		19,403,234	21,143,918

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2023 and were signed on its behalf by:

Christopher Attard
Director

Pierre Bartolo
Director

The notes on pages 7 to 18 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2022

	Share Capital	Retained Earnings	Other Equity	Total Equity
	€	€	€	€
At 1 January 2021	50,000	289,803	200,000	539,803
Total Comprehensive income				
Profit for the year	-	2,017,806	-	2,017,806
At 31 December 2021	50,000	2,307,609	200,000	2,557,609
At 1 January 2022	50,000	2,307,609	200,000	2,557,609
Total Comprehensive income				
Profit for the year	-	2,718,238	-	2,718,238
At 31 December 2022	50,000	5,025,847	200,000	5,275,847

Statement of Cash Flows
for the year ended 31 December 2022

	2022		2021	
	€	€	€	€
Net profit before taxation	3,336,350		2,586,014	
Reconciliation to cash generated from operations:				
Depreciation	253		253	
Income tax paid	(639,708)		(568,208)	
Operating profit before working capital changes	2,696,895		2,018,059	
Decrease in inventories	3,336,142		1,064,096	
(Increase) in trade receivables	(299,435)		(742,403)	
(Increase) in other receivables	(305,339)		(159,982)	
Increase in trade payables	51,996		159,697	
Increase in other payables	544,619		1,346,467	
Cash generated from operating activities		6,024,878		3,685,934
Cash from financing activities				
New long term related party borrowings	848,865		1,079,309	
Repayment of short term related party borrowings	(5,904,402)		(4,983,156)	
Cash used in financing activities		(5,055,537)		(3,903,847)
Net increase / (decrease) in cash in the year		969,341		(217,913)
Cash and equivalents at beginning of year		157,240		375,153
Cash and equivalents at end of year (Note 12)		1,126,581		157,240

1. General Information

Best Deal Developments Limited ("the company") is a limited liability company incorporated and domiciled in Malta. The registered office of the company is 63 JL Building, Luqa Road, Paola PLA9045. The company status is that of a private company. These financial statements were approved for issue by the Board of Directors on 17 April 2023.

The company forms part of a Group of companies, the parent company being Best Deal Properties Holding plc. The company's principal activity is property development for resale.

2. Accounting Policies

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

Basis of measurement and statement of compliance

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

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

The preparation of financial statements in conformity with the IFRS as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

New or revised standards, interpretations and amendments adopted

The Company adopted several new or revised standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and endorsed by the EU. The adoption of these new or revised standards, interpretations and amendments did not have a material impact on these financial statements.

New or revised standards, interpretations and amendments issued but not yet efferctive.

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The directors anticipate that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.

Revenue

Revenue represents the invoiced value of goods sold, net of sales rebates and taxes.

Property related income

Property sales are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the Company's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale.

Amounts received in respect of sales that have not yet been recognised in the financial statements due to the fact that the significant risks and rewards of ownership still rest with the Company, are treated as payments received in advance and are reported with current liabilities.

Property, plant and equipment

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

Plant, machinery and equipment	-	20% Straight Line

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of non-financial assets

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

Impairment of financial assets

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

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

Inventories and work in progress

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

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

Trade and other receivables

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

Other receivables consist of deposits and guarantees paid by the company in the ordinary course of business which are refundable within one year. The Company measures other receivables at amortised cost.

Related parties

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

Borrowings

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

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

Trade payables

Trade payables represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. These are initially recognised at fair value. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever us earlier) before the company has satisfied its performance obligation in a contract with customer.

Taxation

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

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

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

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

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.

Borrowing costs

Borrowing costs incurred in the construction of a qualifying asset, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in the Statement of Comprehensive Income as incurred.

Cash and cash equivalents

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

Capital Disclosures

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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

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

3. Significant judgements and critical estimation uncertainties

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The directors have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Company's 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 disclosure in terms of the requirements of IAS 1.

4. Profit for the year

	2022	2021
	€	€
Profit for the year is stated after charging:		
Depreciation of tangible assets	253	253
Auditors' remuneration	4,337	4,130

5. Taxation

a) Taxation is provided for at the rate of 35% for company profits, except for certain bank interest receivable which is taxed at 15% and sales of property which are taxed ay 5% - 8% as a final witholding tax.

	2022	2021
	€	€
Current year taxation		
Income tax on the taxable income for the year	639,708	568,208
Deferred taxation		
Transfer from deferred taxation account	(21,596)	-
	618,112	568,208

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

	2022	2021
	€	€
Profit on ordinary activities before taxation	3,336,350	2,586,014
Tax on accounting profit at 35%	1,167,723	905,105
Tax effect on:		
Expenses disallowed for tax purposes	167,502	77,820
Group relief - surrendered losses	-	(2,841)
Other non-temporary differences	(717,113)	(411,876)
Tax expense for the year	618,112	568,208

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

	2022	2021
	€	€
Unabsorbed tax losses and capital allowances	23,534	1,938
Deferred tax asset	23,534	1,938

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

Provision was made for deferred tax for all temporary differences on the basis of the balance sheet liability method using a principal tax rate at 35% (2021 - 35%).

6. Property, plant and equipment

	Plant, machinery & equipment	Total
	€	€
Cost		
At 1 January 2021		
At 31 December 2021	1,266	1,266
Depreciation		
At 1 January 2021	253	253
Charge for the year	253	253
At 31 December 2021	506	506
Net book values		
At 31 December 2021	760	760
Cost		
At 1 January 2022		
At 31 December 2022	1,266	1,266
Depreciation		
At 1 January 2022	506	506
Charge for the year	253	253
At 31 December 2022	759	759
Net book values		
At 31 December 2022	507	507

7. Inventories

		2022	2021
		€	€
Property held for resale and work in progress		16,537,182	19,873,324

8. Trade & other receivables

		2022	2021
		€	€
Trade receivables		1,041,838	742,403
Amounts owed by group companies	*Note*	287,380	5,000
Other receivables		386,212	363,253
		1,715,430	1,110,656

Amounts owed by group companies

These amounts are unsecured, interest free and are repayable on demand.

9. Share capital

	2022	2021
	€	€
Authorised		
50,000 Ordinary shares of € 1 each	50,000	50,000
Issued		
50,000 Ordinary shares of € 1 each 100% paid up	50,000	50,000

10. Trade & other payables

		2022	2021
		€	€
Trade payables		248,171	196,175
Other taxes		8,934	-
Client deposits		404,242	880,432
Accruals		2,185,878	1,320,003
Amounts owed to other group companies	*Note*	1,200,581	1,054,581
		4,047,806	3,451,191

Amounts owed to other group companies

These amounts are unsecured, interest free and repayable on demand.

11. Borrowings

		2022	2021
		€	€
Non-current			
Loan from parent company	*Note*	10,079,581	15,135,118

	2022	2021
	€	€
Related party borrowings due after 1 year		
Proceeds from loan from parent company	17,283,291	17,283,291
Capitalised interest payable	3,683,848	2,834,983
Repayments	(10,887,558)	(4,983,156)
Net debt at end of period	10,079,581	15,135,118

Loan from parent company

These amounts are unsecured, bear interest of 7% per annum and are repayable within 2 years.

12. Notes to the Statement of Cash Flow

Cash & cash equivalents

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

	2022	2021
	€	€
Bank deposits	1,105,629	110,110
Cash in hand	20,952	47,130
	1,126,581	157,240

Liabilities arising from financing activities	2022	2021
	€	€
Related party borrowings withing 1 year		
Opening net debt	1,054,581	444,228
Increase in borrowings	146,000	1,408,000
Repayments		(797,647)
Net debt at end of year	1,200,581	1,054,581
Related party borrowings due after 1 year		
Opening net debt	15,135,118	19,038,965
Capitalised interest payable	848,865	1,079,309
Repayments	(5,904,402)	(4,983,156)
Net debt at end of period	10,079,581	15,135,118

13. Related party transactions

Transactions with related parties :

	2022	2021
	€	€
Marketing fees paid to Best Deal Properties Limited	-	9,584
Administration fees paid to Best Deal Properties Limited	11,856	39,683
Direct development costs	384,884	664,002
Sales commissions	130,160	6,555
Loan interest payable to parent company	848,865	1,079,309

Loans to related parties

	2022	2021
	€	€
Loans to group companies :		
Opening balance	5,000	-
Loans advanced during the year	282,380	5,000
Closing balance	287,380	5,000

Loans from related parties

	2022	2021
	€	€
Loans from parent company :		
Opening balance	15,135,118	19,157,347
Loans repayments made	(5,904,402)	(5,101,538)
Interest charged	848,865	1,079,309
Closing balance	10,079,581	15,135,118
Loans from other group companies:		
Opening balance	1,054,581	325,846
Loans advanced during the year	146,000	1,008,000
Loans repayments made	-	(279,265)
Closing balance	1,200,581	1,054,581
Total loans from related parties :		
Opening balance	16,189,699	19,483,193
Loans advanced during the year	146,000	1,008,000
Loans repayments made	(5,904,402)	(5,380,803)
Interest charged	848,865	1,079,309
Closing balance	11,280,162	16,189,699

14. Financial Risk Management

The company has exposure to the following risks from its use of financial instruments:

-Credit risk
-Liquidity risk
-Interest rate risk

This note presents information about the company's exposure to each of the aforementioned risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has responsibility to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk

Credit risk arises mainly from cash and cash equivalents. The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets held by the company is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The credit risk relating to cash at bank is considered to be low in view of management's policy of placing it with reputable financial institutions.

Interest rate risk

The company's borrowings with its parent company are subject to a fixed interest rate and therefore the interest risk exposure is minimal.

Liquidity risk

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors' monitors the return on capital, but also the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the company's approach to capital management during the year.

15. Fair values estimation

The nominal values less estimated credit adjustments of other receivable and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.