Company Registration No. 00305858

PHOENICIA HOTEL COMPANY LIMITED

Annual Report and Financial Statements

31 December 2018

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GENERAL INFORMATION

Phoenicia Hotel Company Limited (''the Company'') is registered in the United Kingdom as a private company limited by shares. The Company is operated and managed from Malta where it is registered as an overseas company with registration number OC1.

Directors

Mr. J.P. Ellul Castaldi
Mr. M.D. Shaw

Company Secretary

Mr. J.P. Ellul Castaldi

Bankers

Bank of Valletta plc
St. Anne Street
Floriana FRN 9011
MALTA

Solicitors

Refalo & Zammit Pace Advocates
61, St. Paul Street
Valletta VLT 1212
MALTA

Registered Office

Eversheds House 70
Great Bridgewater Street
Manchester M1 5ES
UNITED KINGDOM

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT
UNITED KINGDOM

STRATEGIC REPORT

Company Registration No. 00305858

The Directors present their Strategic Report for the year ended 31 December 2018.

Principal activity

The Company's principal activity, which is unchanged since last year, is the operation of Phoenicia Hotel in Malta.

Review of the business

The Company's key financial performance indicators during the year were as follows:

	2018 EUR	2017 EUR	Change %
Revenue	**12,933,075**	6,777,145	91
Profit / (Loss) before tax for the year	**1,465,987**	(1,589,886)	192
EBITDAR (earnings before Interest, Tax, Depreciation, Amortisation and Rent)	**4,787,829**	932,831	413
Total equity	**2,429,953**	280,161	767

During the year under review the revenue increased by EUR 6,155,930 (2017: EUR6,428,801) representing an increase of 91% from the prior year. The increase in revenue is due to the closure of the hotel for refurbishment throughout 2016. The hotel re-opened its doors in April 2017 and operated for a full year during 2018. As a result, cost of sales also increased by EUR2,597,504 (2017: EUR3,382,010).

Other matters

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel. It is also contesting claims for additional services from architects, involved in the same development. The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements (note 22).

Principal risks and uncertainties

The Directors and executive management regularly meet to review the principal risks and uncertainties of the business. It is the opinion of the Directors that the main significant risks that may affect the business are broadly categorised as interest rate, credit and liquidity risks.

Up to the date of the present financial statements the Company did not have any hedging policy with respect to interest rate risk, as exposure to such risk was not deemed to be significant by the Directors given that the Company's income and operating cash flows are substantially independent of changes in the market interest rate.

Financial assets that potentially subject the Company to concentrations of credit risk consist principally of cash at bank and debtors. The Company's cash is placed with quality financial institutions whilst debtors are presented net of provision for doubtful debts. Credit risk with respect to debtors is limited since there is no concentration of credit risk.

The Company actively manages its liquidity risk by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 3.1 – Going concern).

STRATEGIC REPORT - continued

Company Registration No. 00305858

Recent and future developments

A property development master plan for the hotel and its surrounding property was finalised and planning permission was obtained in November 2010. The hotel was closed on 14th November 2015 in order to commence the first phase of the master plan. The project was ongoing throughout 2016, with the hotel re-opening for business in April 2017.

The development includes a complete refurbishment of all guest bedrooms and corridors, and replacement of all guest bathrooms, the building of a new Spa with 8 treatment rooms and an indoor swimming pool, building of a new outdoor swimming pool, pool deck and pool building, restoration of all the hotel façade, balconies to be added to the fourth floor rooms, soft refurbishing of all public areas on the ground floor, refurbishment of the Grand Ballroom, and replacement with new efficient and environmental friendly plant and equipment of most of the hotel's mechanical, electrical, air conditioning and ventilation infrastructure. The development of the Spa is ongoing.

The strategic report was approved by the Board of Directors and was signed on its behalf by:

MR. J. P. ELLUL CASTALDI
Director
Phoenicia Hotel Company Limited
Company Registration No. 00305858

29 April 2019

DIRECTORS' REPORT

Company Registration No. 00305858

The Directors present their report for the year ended 31 December 2018.

Results and dividends

The hotel re-opened its doors in April 2017 and operated for a full year during 2018. This resulted in an operating profit for the year of EUR1,484,999 (2017: loss of EUR1,543,700).

The statement of comprehensive income is shown on page 10 and the movements in the reserves are disclosed in the statement of changes in equity on page 12. The Directors did not propose the payment of any dividends.

Going concern

In line with the FRC guidance on going concern issued in 2016, and taking into account the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014, the Directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

During the year ended 31 December 2018, the Company generated a profit before tax of EUR1,465,987 (2017: loss of EUR1,589,886). As at 31 December 2018, its current liabilities exceeded current assets by EUR 6,106,555 (2017: EUR6,678,950). These financial statements have been prepared on a going concern basis, which assumes that the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and meet its liabilities when they fall due. The Company has therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities. In light of the current performance, projections prepared and financing available to the Company, the Directors believe that there is no significant doubt on the Company's ability to continue as a going concern.

Other matter

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel. It is also contesting claims for additional services from architects, involved in the same development. The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements (note 22).

Future developments

The future developments of the Company are described in the Strategic Report.

Financial Management

The financial management activities are described in the Strategic report within: 'Principal risks and uncertainties'

Directors

The Directors who held office until the date of authorisation of these financial statements are stated on page 2. There were no changes in the directorship during the year. In accordance with the Company's Memorandum and Articles of Association, the present Directors are to remain in office.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval confirms that:

a) So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
b) The Director has taken all the steps that he ought to have taken as a director in order to become aware of any relevant audit information and to establish the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

DIRECTORS' REPORT - continued

Company Registration No. 00305858

Auditors

Ernst & Young LLP have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Directors' report was approved by the Board of Directors and was signed on its behalf by:

MR. J. P. ELLUL CASTALDI
Director
Phoenicia Hotel Company Limited
Company Registration No. 00305858

29 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Financial Statements in accordance with applicable United Kingdom Law and International Financial Reporting Standards (''IFRS'') as adopted by the European Union.

The Directors are responsible for preparing the financial statements for each financial year which give a true and fair view in accordance with IFRS, of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, to make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with International Financial Reporting Standards as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PHOENICIA HOTEL COMPANY LIMITED

Opinion

We have audited the financial statements of Phoenicia Hotel Company Limited for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENICIA HOTEL COMPANY LIMITED - CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

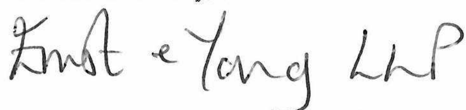
Auditor's responsibilities for the audit of the financial statements

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
29 April 2019

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Revenue	4	**12,933,075**	6,777,145
Cost of sales	5	**(9,204,253)**	(6,606,749)
Gross profit		**3,728,822**	170,396
Administrative expenses	5	**(1,671,479)**	(1,247,993)
Selling and marketing expenses	5	**(572,344)**	(466,103)
Operating profit / (loss)		**1,484,999**	(1,543,700)
Finance costs	7	**(19,012)**	(46,186)
Profit / (loss) before tax		**1,465,987**	(1,589,886)
Income tax credit	8	**683,805**	2,203,009
Profit for the year		**2,149,792**	613,123
Other comprehensive income for the year		-	-
Total comprehensive income for the year, net of tax		**2,149,781**	613,123

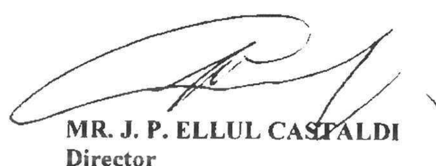
The accounting policies and explanatory notes on pages 14 to 40 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 EUR	2017 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	9	**5,886,893**	5,056,927
Deferred tax asset	10	**2,886,814**	2,203,009
Total non-current assets		**8,773,707**	7,259,936
Current assets			
Inventories	11	**185,784**	209,623
Trade and other receivables	12	**775,954**	735,157
Cash and cash equivalents	13	**8,217**	8,217
Total current assets		**969,955**	952,997
TOTAL ASSETS		**9,743,662**	8,212,933
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	**8,386**	8,386
Deferred shares	14	**838,574**	838,574
Retained earnings	14	**1,582,993**	(566,799)
Total equity		**2,429,953**	280,161
Non-current liabilities			
Interest-bearing loans and borrowings	16	**237,199**	300,825
Current liabilities			
Trade and other payables	15	**6,811,771**	7,359,277
Interest-bearing loans and borrowings	16	**63,770**	60,635
Bank overdraft	13	**200,969**	212,035
Total current liabilities		**7,076,510**	7,631,947
Total liabilities		**7,313,709**	7,932,772
TOTAL EQUITY AND LIABILITIES		**9,743,662**	8,212,933

The accounting policies and explanatory notes on pages 14 to 40 form an integral part of the financial statements.

The financial statements on pages 10 to 40 have been authorised for issue by the Board of Directors on 29 April 2019 and signed on its behalf by:



MR. J. P. ELLUL CASTALDI
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Issued capital EUR	Deferred shares EUR	Retained earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2018				
At 1 January 2018	8,386	838,574	(566,799)	280,161
Profit for the year	-	-	2,149,792	2,149,792
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	2,149,792	2,149,792
At 31 December 2018	**8,386**	**838,574**	**1,582,993**	**2,429,953**
FINANCIAL YEAR ENDED 31 DECEMBER 2017				
At 1 January 2017	8,386	838,574	(1,179,922)	(332,962)
Profit for the year	-	-	613,123	613,123
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	613,123	613,123
At 31 December 2017	**8,386**	**838,574**	**(566,799)**	**280,161**

The accounting policies and explanatory notes on pages 14 to 40 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
Profit / (Loss) before tax		**1,465,987**	(1,589,886)
Non-cash adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	9	**1,059,018**	732,719
Amortization of deferred income	15	**(6,188)**	(6,188)
Interest expense	7	**19,012**	46,186
Working capital adjustments:			
Increase in trade and other receivables		**(9,287)**	(383,115)
Decrease/(increase) in inventory		**23,839**	(146,637)
(Decrease)/increase in trade and other payables		**(184,182)**	2,148,592
		2,368,199	801,671
Interest paid		**(19,013)**	(46,186)
Net cash from operating activities		**2,349,186**	755,485
Investing activities			
Purchase of property, plant and equipment		**(4,069,487)**	(1,155,967)
Advances to related parties		**(344,918)**	(249,899)
Net cash used in investing activities		**(4,414,405)**	(1,405,866)
Financing activities			
Repayments of borrowings	20	**(60,491)**	(9,527)
Advances from related parties		**2,136,776**	1,155,967
Net cash from financing activities		**2,076,285**	1,146,440
Net increase in cash and cash equivalents		**11,066**	496,059
Cash and cash equivalents at 1 January		**(203,818)**	(699,877)
Cash and cash equivalents at 31 December	13	**(192,752)**	(203,818)

The accounting policies and explanatory notes on pages 14 to 40 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Phoenicia Hotel Company Limited ("the Company") is registered in United Kingdom as a private company limited by shares. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1. Its registered office is Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom. The Company's principal activity is the operation of Phoenicia Hotel in Malta.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and comply with the Companies Act 2006.

The financial statements are presented in Euro (EUR), which represents the functional and presentation currency of the Company. These financial statements are prepared under the historical cost convention.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as adopted by the European Union effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 9 Financial Instruments
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions
- IFRS 15 Revenue from Contracts with customers including amendments to IFRS 15
- Clarifications to IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts
- IFRIC Interpretation 22 Foreign Currency Transactions and advance consideration
- Amendments to IAS 40 Transfers of Investment property
- Annual Improvements to IFRSs 2014-2016 Measuring an associate or joint venture at fair value
- Annual Improvements to IFRSs 2014-2016 Deletion of short term exemptions for first time adopters

Other than disclosed below, the adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Company. The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below.

IFRS 9 – Financial instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that has replaced IAS 39 for annual periods on or after 1 January 2018. The Company have initially adopted IFRS 9 Financial Instruments in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the disclosure requirements resulting from the consequential amendments to IFRS 7 have not generally been applied to comparative information. The significant accounting policies under IAS 39 continue to apply to the 2017 comparative figures.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the European Union effective in the current year - continued

IFRS 9 – Financial instruments - continued

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories have been replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Company has concluded that the financial assets previously classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9. There is no financial impact arising as the accounting measurement is the same as under IAS39.

Impairment of financial assets

IFRS 9 has fundamentally changed the impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Company is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months (12-month ECL) unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset (lifetime ECL).

The general principle of IFRS 9 is that ECL accounting requires that the credit risk of financial instruments within the scope of impairment to be assessed for significant increase since initial recognition at each reporting sheet date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Considering the short-term nature of the Company's financial assets, IFRS 9 did not materially impact the impairment calculation of the Company.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the European Union effective in the current year - continued

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and it applies, with limited exception, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company have initially adopted IFRS 15 (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 Revenue. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The significant accounting policies under IAS 18 continue to apply to the 2017 comparative figures. The adoption of IFRS 15 did not have a material impact on the Company.

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Company has not early adopted, but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 16 Leases (effective for financial year beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial year beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS12 Income tax consequences of payments on financial instruments classified as equity (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS23 Borrowing costs eligible for capitalisation (effective for financial year beginning on or after 1 January 2019)
- Amendments to IFRS 3 and IFRS 11 Previously held interest in a joint operation (effective for financial year beginning on or after 1 January 2019)

NOTES TO THE FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective - continued

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable for further period of one year each up to a maximum period of fifteen years in the aggregate. The Company chose the modified retrospective application of IFRS 16 with the cumulative of initially applying the standard recognised at the date of initial application as an adjustment to equity. Consequently, the Company will not restate the comparative information.

The Company has performed a detailed impact assessment of IFRS 16. In its assessment management assumed that the rental agreement will be renewed up to its maximum period i.e. a remaining period of 14 years. A discount rate of 4.5% was determined to be the incremental borrowing rate. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	EUR'000
Assets	
Property, plant and equipment (right-of-use assets)	25,883
Liabilities	
Lease liabilities	25,883
Net impact on equity	-

Standards, interpretations and amendments to published standards that are not yet adopted by the European Union

- IFRS 17 Insurance Contracts (effective for financial year beginning on or after 1 January 2021)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial year beginning on or after 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective for financial year beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial year beginning on or after 1 January 2020)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred Indefinitely)

The Company is still assessing the impact that these new standards will have on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Policies applicable after 1 January 2018

Revenues include all revenues from the ordinary business activities of the Company and are recorded net of value added tax. Discounts to customers are recognised as a reduction in revenue. They are recognised in accordance with the provision for goods or services provided that collectability of the consideration is probable.

Revenue mainly represents income earned for accommodation and catering services. Revenue from accommodation is recognised over a period of time whereas revenue from catering and other services is recognised at a point in time. Service revenue is recognised when services have been rendered and collectability is reasonably assured.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The performance obligation is to provide hospitality and leisure services as and when customers make use of the services. The transaction price follows a fee structure which is known at the date of booking or consumption of service and thus no significant estimates are required in this respect.

Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Policies applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue mainly represents income earned for hospitality and leisure. Service revenue is recognised when services have been rendered and collectability is reasonably assured. Other revenue is generated from the sales of food and beverages.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency transactions

Functional and presentation currency

These financial statements are presented in Euro ('EUR'), the currency of the primary economic environment in which that Company operates.

Transactions and balances

Transactions in foreign currencies have been converted into Euro at the rates of exchange ruling on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Euro at the rates of exchange ruling at the reporting date. All resulting differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation difference on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost of property, plant and equipment less any residual value over the expected useful lives. The annual rates used for this purpose, which are consistent with those used in the previous year, are as follows:

Plant, machinery and other equipment	-	3-15 years
Crockery, utensils and linen	-	3-15 years

The depreciation method applied and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting year. Depreciation of an asset ceases when the asset is either classified as held for sale or derecognised. Assets in the course of construction are not depreciated.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount of the asset. These are included in the statement of comprehensive income in the year of derecognition.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises the direct invoiced cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

Financial instruments

Policies applicable after 1 January 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

From 1 January 2018 the company had adopted the following accounting policies to its financial instruments:

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets – continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired
  or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets – continued

Impairment of financial assets – continued

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Prior to its adoption of IFRS 9 in 2018, the Company had applied IAS 39. As a result the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities - continued

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Policies applicable before 1 January 2018

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 12.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, interest-bearing loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and interest-bearing loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to trade and other payables and interest-bearing loans and borrowings. For more information, refer to note 15 and note 16 respectively.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Rentals payable under operating leases are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents with an original maturity of three months or less, net of outstanding bank overdrafts.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

Taxes

Current income tax

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

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 there will be taxable profit against which a deductible temporary difference can be used, unless the deferred tax asset arises from the initial recognition of an asset or liability that is not from a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxes - continued

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred in the purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Grants

Grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attached and that the grants will be received.

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned. Other grants are credited to the profit and loss account in the same year as the expenditure to which they contribute.

3.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the year the change becomes known.

In the opinion of the management, the accounting estimates, assumptions 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 significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements', except as disclosed below.

Going concern

During the year ended 31 December 2018, the Company generated a profit before tax of EUR1,465,987 (2017: loss of EUR1,589,886). As at 31 December 2018, its current liabilities exceeded current assets by EUR6,106,555 (2017: EUR6,678,950). These financial statements have been prepared on a going concern basis, which assumes that the Directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and meet its liabilities when they fall due. The Company has therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities. In light of the current performance, projections prepared and financing available to the Company, the Directors believe that there is no significant doubt on the Company's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS - continued

Deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the tax losses and unabsorbed capital allowances can be utilised.

Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. In exercising its judgement management has taken into account budgets and the ability to carry forward losses for offset indefinitely.

4. REVENUE

The company's entire revenue is normally derived locally from the operations of the hotel in Malta.

	2018 **EUR**	2017 EUR
Services transferred over time		
Accommodation	**9,069,186**	4,611,453
Services/goods transferred at a point in time		
Catering	**3,677,107**	2,052,742
Other	**186,782**	112,950
Revenue from contracts with customers	**12,933,075**	6,777,145

5. EXPENSES BY NATURE

	2018 **EUR**	2017 EUR
Staff costs (note 6)	**3,378,217**	2,739,013
Rent of hotel land and building (note 17)	**2,250,000**	1,750,000
Depreciation (note 9)	**1,059,018**	732,719
Auditors remuneration	**42,500**	18,600
Other expenses	**4,718,341**	3,080,513
Total cost of sales, administrative and selling expenses	**11,448,076**	8,320,845

NOTES TO THE FINANCIAL STATEMENTS - continued

6. STAFF COSTS

	2018 EUR	2017 EUR
Director's remuneration	**164,848**	91,936
Social security costs	**1,851**	1,802
	166,699	93,738

The total employment costs were as follows:

	2018 EUR	2017 EUR
Wages and salaries	**3,149,067**	2,563,240
Social security costs	**229,150**	175,773
	3,378,217	2,739,013

The average number of persons employed by the company during the year was as follows:

	2018 Number	2017 Number
Guest service	**108**	108
Administrative	**31**	29
	139	137

7. FINANCE COSTS

	2018 EUR	2017 EUR
Interest on bank loan	**19,012**	46,186

NOTES TO THE FINANCIAL STATEMENTS – continued

8. INCOME TAX CREDIT

The tax for the year is made up as follows:

	2018 EUR	2017 EUR
Current tax	**-**	-
Deferred tax (note 10)	**(683,805)**	(2,203,009)
Income tax credit	**(683,805)**	(2,203,009)

The taxation on the company's profits differs from the standard rate of Malta tax that would arise using the basic tax rate applicable as follows:

	2018 EUR	2017 EUR
Profit/(loss) before tax	**1,465,987**	(1,589,886)
Theoretical tax at the applicable 35% rate	**513,095**	(556,460)
Tax effect of:		
- allowances on leased hotel property	**(582,257)**	(196,075)
- clarification of treatment of capital allowances (note i)	**(612,877)**	-
- recognition of previously unrecognised deferred tax on tax losses and capital allowances (note 10)	**-**	(1,448,562)
- other differences	**(1,766)**	(1,912)
Income tax credit	**(683,805)**	(2,203,009)

i) During the year, the Company sought a clarification in relation to the treatment of certain capital allowances. This resulted in a favourable effect which is reflected in the deferred tax, amounting to EUR612,877.

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment EUR	Crockery, utensils and linen EUR	Assets under construction EUR	Total EUR
Cost				
At 1 January 2017	7,966,285	589,021	402,019	8,957,325
Additions	3,831,214	-	49,824	3,881,038
Transfers	402,019	-	(402,019)	-
At 31 December 2017	12,199,518	589,021	49,824	12,838,363
At 1 January 2018	12,199,518	589,021	49,824	12,838,363
Additions	1,888,984	-	-	1,888,984
Transfers	181	-	(181)	-
At 31 December 2018	**14,088,683**	**589,021**	**49,643**	**14,727,347**
Accumulated depreciation				
At 1 January 2017	6,680,882	367,835	-	7,048,717
Depreciation for the year	694,964	37,755	-	732,719
At 31 December 2017	7,375,846	405,590	-	7,781,436
At 1 January 2018	7,375,846	405,590	-	7,781,436
Depreciation for the year	1,021,263	37,755	-	1,059,018
At 31 December 2018	**8,397,109**	**443,345**	**-**	**8,840,454**
Net book value				
At 31 December 2018	**5,691,574**	**145,676**	**49,643**	**5,886,893**
At 31 December 2017	4,823,672	183,431	49,824	5,056,927

As disclosed in note 15, at 31 December, the company had capital creditors amounting to EUR1,235,786 (2017: EUR3,416,290).

NOTES TO THE FINANCIAL STATEMENTS – continued

10. DEFERRED TAX ASSETS

The movement in deferred tax asset is as follows:

	2018 EUR	2017 EUR
Balance as at 1 January	**2,203,009**	-
Credited to income statement (note 8)	**683,805**	2,203,009
Balance as at 31 December	**2,886,814**	2,203,009

Deferred income tax at 31 December relates to the following:

	2018 EUR	2017 EUR
Deferred income tax asset is attributable to the following:		
- unutilized tax losses and capital allowances	**2,829,467**	2,155,280
- excess of capital allowances over depreciation	**34,036**	19,612
- allowances for impairment	**23,311**	28,117
	2,886,814	2,203,009

The Directors are confident that the deferred taxation recognised in the financial statements will be realised in the foreseeable future through trading operations conducted by the Company. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

11. INVENTORIES

	2018 EUR	2017 EUR
Catering and bar supplies	**96,413**	123,003
Hotel consumables	**89,371**	86,620
	185,784	209,623

12. TRADE AND OTHER RECEIVABLES

	2018 EUR	2017 EUR
Trade receivables (note i)	**624,751**	666,143
Amounts due from related party (note ii)	**31,511**	-
Prepayments	**82,118**	66,367
Other receivables	**37,575**	2,647
	775,954	735,157

NOTES TO THE FINANCIAL STATEMENTS – continued

12. TRADE AND OTHER RECEIVABLES

(i) Trade receivables are presented net of a provision for impairment of EUR 66,604 (2017: EUR80,335). No interest is charged on trade and other receivables. As at 31 December, the ageing analysis of trade receivables is as follows:

		Neither past due nor impaired			Past due but not impaired
	Total	0-30 days	30-60 days	61-90 days	
	EUR	EUR	EUR	EUR	EUR
2018	**624,751**	**350,157**	**132,182**	**79,526**	**62,886**
2017	666,143	368,854	135,534	156,175	5,580

(ii) The amounts due from related parties are unsecured and interest free. The amounts are repayable on demand.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amount:

	2018	2017
	EUR	EUR
Cash at bank and in hand	**8,217**	8,217
Bank overdraft	**(200,969)**	(212,035)
	(192,752)	(203,818)

The company has an overdraft facility of EUR600,000 (2017: EUR600,000) for working capital requirements, which is secured by a general hypothec of EUR600,000 (2017: EUR600,600) over the assets of the company and a special hypothecary guarantee of EUR600,000 (2017: *nil*) given by a related company over its property (note 20).

14. ISSUED CAPITAL AND RESERVES

	2018	2017
	EUR	EUR
Authorised:		
16,000 ordinary shares of 0.25 GBP each	**9,318**	9,318
Issued and fully paid up:		
14,400 ordinary shares of 0.25 GBP each	**8,386**	8,386

NOTES TO THE FINANCIAL STATEMENTS – continued

14. ISSUED CAPITAL AND RESERVES

Deferred shares

The authorised, issued and fully paid up deferred shares of EUR 838,574 (2017: EUR838,574) are made up of 1,440,000 deferred shares of 0.25 GBP each (2017: 1,440,000 deferred shares of 0.25 GBP each).

Deferred shares are not entitled to dividends and carry no voting rights. On winding up, holders of deferred shares are entitled to repayment of capital, after the capital had been repaid in full to the holders of ordinary shares. Holders of deferred shares are not entitled to participate in any further surplus arising on winding up.

Retained earnings

Retained earnings represent accumulated retained profits that are available for distribution to the company's shareholders.

15. TRADE AND OTHER PAYABLES

	2018 EUR	2017 EUR
Trade payables	**1,284,732**	1,392,808
Capital creditors	**1,235,786**	3,416,290
Amounts due to related parties (i)	**2,250,823**	427,453
Accruals (ii)	**1,385,027**	1,514,597
Contract liabilities (iii)	**524,657**	489,452
Indirect taxes including social security	**97,861**	82,454
Deferred income (iv)	**14,278**	20,466
Other payables	**18,607**	15,757
	6,811,771	7,359,277

(i) The amounts due to related parties are unsecured and interest free. The amounts are repayable on demand.

(ii) Included with accruals is an amount of EUR500,000 (2017: EUR500,000) representing rent not yet billed by related parties.

(iii) Contract liabilities represent advances from customers. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR474,452.

(iv) Deferred income includes capital grants which are being amortised over the life of the asset.

	EUR
Balance at 31 December 2017	20,466
Amortisation for the year	(6,188)
Balance at 31 December 2018	**14,278**

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INTEREST-BEARING LOANS AND BORROWINGS

	2018 EUR	2017 EUR
Non-current	**237,199**	300,825
Current	**63,770**	60,635
	300,969	361,460

The non-current interest-bearing loans and borrowings are analysed as follows:

	2018 EUR	2017 EUR
Between one and two years	**67,530**	64,151
Between two and five years	**169,669**	215,649
More than five years	-	21,025
	237,199	300,825

The Company's interest-bearing loans and borrowings bear an interest rate is of 3.5% per annum over the bank's base rate. As at 31 December 2018, the Company has banking facilities amounting to EUR398,705 (2017: EUR388,965) which were unutilized at year-end.

The loans facilities are secured by a general hypothec of EUR300,969 (2017: EUR367,436) over the assets of the company and a special hypothecary guarantee of EUR300,969 (2017: EUR367,436) given by a related company over its property (note 20).

17. FINANCIAL COMMITMENTS

In 2017, the company had entered into a lease agreement with a related company for the rental of the hotel land and building which was being renewed annually. The annual rent expense was EUR1,750,000.

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable for further period of one year each up to a maximum period of fifteen years in the aggregate. In terms of the lease agreement, the Company pays annual rent of EUR2,500,000 revisable every three years assuming a complete development of the hotel.

As disclosed in notes 13 and 16, the Company has also provided the bank with guarantees over the assets of the Company.

The Company also provides a first general hypothecary guarantee of EUR20.6 million (2017: EUR22 million) in favour of a related party (note 20).

NOTES TO THE FINANCIAL STATEMENTS – continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities may expose it to the various types of risks: market risk (interest rate risk), credit risk and liquidity risk.

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of trade and other receivables and cash and cash equivalents.

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company is not exposed to major concentrations of credit risk.

The Company's short-term deposits are placed with quality financial institutions. Carrying amounts for trade and other receivables are stated net of the necessary provisions which have been made against bad and doubtful debts in respect of which the Directors reasonably believe that recoverability is doubtful.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposures to credit risk is represented by the carrying amount of each financial assets as disclosed in note 12 and note 13.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

With the exception of bank balances and related party loans, the Company is not subject to interest rate risk. The Company's financial assets and liabilities are principally non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations on the prevailing levels of market interest rates.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate amount of committed credit facilities.

The Company actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 3.1 – Going concern).

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk - continued

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

	Carrying amount	Undiscounted contractual cash flows	Within one year	1 to 5 years	Over 5 years
		EUR	EUR	EUR	EUR
31 December 2018					
Interest-bearing loans and borrowings	**300,969**	**340,438**	**79,504**	**260,934**	-
Bank overdraft	**200,969**	**200,969**	**200,969**	-	-
Trade and other payables	**6,811,771**	**6,811,771**	**6,811,771**	-	-
	7,313,709	**7,353,178**	**7,092,244**	**260,934**	-
31 December 2017					
Interest-bearing loans and borrowings	361,460	418,754	79,504	318,014	21,236
Bank overdraft	212,035	212,035	212,035	-	-
Trade and other payables	7,359,277	7,359,277	7,359,277	-	-
	7,932,772	7,990,066	7,650,816	318,014	21,236

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The primary objective of the Company's capital management is to ensure that it maintains adequate capital to support its operations. The Company's Directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis.

To maintain or adjust its capital structure, the Company may adjust its borrowings. There were no changes in the Company's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

19. FAIR VALUE MEASUREMENT

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible as outlined above. For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At 31 December 2018 and 2017 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and current interest-bearing loans and borrowings approximated their fair values in view of the nature of the instruments or their short-term maturity (Level 2). The fair values of non-current interest-bearing loans and borrowings are not materially different from their carrying amounts particularly due to re-pricing (Level 2).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Note 21 provides information about the Group's structure, including details of the parent and ultimate parent company.

The following table provides the total amount of transactions and balances with related parties for the relevant financial year:

Related parties		Purchases from related party	Amounts owed (to)/ from related party
Phoenicia Malta Limited	**2018**	**2,250,000**	**(2,250,823)**
	2017	1,750,000	(427,453)
Phoenicia Finance Company p.l.c.	**2018**	**-**	**31,511**
	2017	-	-
Hazledene Group Limited	**2018**	**61,036**	**-**
	2017	78,267	-

Phoenicia Malta Limited

The Company has a lease agreement with Phoenicia Malta Limited, which is a wholly owned subsidiary of the immediate parent of Phoenicia Hotel Company Limited for the rental of the hotel (note 17). The loans of the related party are secured by a special hypothecary guarantee of EUR20.6 million (2017: EUR22 million) given by the Company. As disclosed in notes 13 and 16, the related party has also provided guarantees amounting to EUR900,968 (2017: EUR367,436) to secure the Company's bank facilities.

NOTES TO THE FINANCIAL STATEMENTS - continued

20. RELATED PARTY TRANSACTIONS AND BALANCES - continued

Phoenicia Finance Company p.l.c.

The company has a current account balance with Phoenicia Finance Company p.l.c. a fully owned subsidiary of Phoenicia Malta Limited.

Hazledene Group Limited

Hazledene Group Limited is an entity in which the shareholders of the company have an interest. During the year the company entered into transactions with this party for an expense of an administrative nature.

Key management personnel

Amounts payable to key management personnel as disclosed in note 6 as 'Directors remuneration'.

Changes in liabilities arising from financing activities

	1 January 2018 EUR	Cash flows EUR	Rent expense EUR	Other EUR	31 December 2018 EUR
Amounts due to related parties	427,453	(831,630)	2,655,000	-	2,250,823
Bank loans and other loans	361,460	(60,491)	-	-	300,969

	1 January 2017 EUR	Cash flows EUR	Rent expense EUR	Other EUR	31 December 2017 EUR
Amounts due to related parties	(478,616)	(568,931)	1,475,000	-	427,453
Bank loans and other loans	370,987	(9,527)		-	361,460

21. PARENT AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent company is Phoenicia Hotel (Lux) S.A.R.L. registered in Luxembourg. The ultimate controlling party is Mark Shaw, a British national residing in Edinburgh, Scotland.

22. CONTINGENT LIABILITES

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel regarding certain differences between applications for payment made by the contractor and amounts that have been certified as due based on the assessment of a professional cost consultancy firm engaged by the Company since inception of the project. The company is also contesting claims for additional services from architects, involved in the same development, due to delays and additional expense caused by their execution of the services provided.

The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements. Furthermore, the Company has a number of counter claims against the contractor and the architects relating to delays and defects, amongst others. Should amounts, if any, become payable, these will be partly recharged to a related company owning the property.