

PHOENICIA MALTA LIMITED
(formerly Cuffe (Malta) Limited)

Separate Financial Statements

31 December 2018

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GENERAL INFORMATION

Company registration

Phoenicia Malta Limited (formerly Cuffe (Malta) Limited) (the “Company”) is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company’s registration number is C 41576.

Directors

Jean Pierre Ellul Castaldi
Mark Shaw

Company secretaries

Jean Pierre Ellul Castaldi
Mark Shaw

Registered office

The Phoenicia Hotel
The Mall
Floriana, FRN 1478
MALTA

Bankers

Bank of Valletta
58, St. Zachary Street
Valletta, VLT 1130
MALTA

Auditor

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
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INDEPENDENT AUDITOR'S REPORT to the Shareholders of Phoenicia Malta Limited (formerly (Cuffe) Malta Limited)

Report on the audit of the financial statements

Qualified Opinion

We have audited the financial statements of Phoenicia Malta Limited (formerly Cuffe (Malta) Limited) ('the Company') set on pages 6 to 32, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the Company's financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for Qualified Opinion

As disclosed in note 3.3 the accounting policy of the Company is to carry its investment properties at fair value with changes in fair value being recognized in the Statement of comprehensive income for the period. As at 31 December 2016, the Company was undergoing a development project and the carrying value of its investment property was not re-assessed using valuation techniques provided for in IFRS 13 Fair Value Measurement.

The Directors re-assessed the fair value of the investment property as at 31 December 2017 based on an independent architect valuation, resulting in the recognition of a fair value gain of EUR41 million in the Statement of comprehensive income for 2017. Since the opening value of the investment property affected the determination of the changes in fair value for the year 2017, we were unable to determine whether adjustments to the reported amounts of fair value gain and profit for the year 2017, as well as to the opening retained earnings and investment property as of 1 January 2017 might be necessary. Our audit opinion on the financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Phoenicia Malta Limited (formerly (Cuffe) Malta Limited)

- continued

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the members for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Phoenicia Malta Limited (formerly (Cuffe) Malta Limited)
- continued

Auditor's responsibilities for the audit of the financial statements - continued

- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

Except for the matters described in in the 'Basis for Qualified Opinion' paragraph, we have nothing to report to you in respect of these responsibilities.



*The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

29 April 2019

PHOENICIA MALTA LIMITED (formerly Cuffe (Malta) Limited)
Separate Financial Statements for the year ended 31 December 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Rental income	4	2,250,000	1,750,000
Administrative expenses	5	(105,824)	(14,273)
Operating profit		2,144,176	1,735,727
Increase in fair value of investment property	8	-	41,117,773
Finance costs	6	(5,072,920)	(1,411,780)
(Loss) / Profit before tax		(2,928,744)	41,441,720
Income tax expense	7	(38,316)	(6,533,528)
(Loss) / Profit for the year		(2,967,060)	34,908,192
Other comprehensive income for the year		-	-
Total comprehensive income for the year, net of tax		(2,967,060)	34,908,192

The accounting policies and explanatory notes on pages 10 to 32 form an integral part of the financial statements.

PHOENICIA MALTA LIMITED (formerly Cuffe (Malta) Limited)
Separate Financial Statements for the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 EUR	2017 EUR
ASSETS			
Non-current assets			
Investment property	8	82,516,493	81,669,102
Investment in subsidiary	9	250,000	-
Other receivables	11	50,000	50,000
		82,816,493	81,719,102
Current assets			
Trade and other receivables	11	2,882,939	927,453
Cash and short-term deposits	15	1,371	1,615
		2,884,310	929,068
TOTAL ASSETS		85,700,803	82,648,170
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	5,000	5,000
Other reserves	12	34,584,245	34,584,245
Retained earnings		(1,962,064)	1,004,996
Total equity		32,627,181	35,594,241
Non-current liabilities			
Interest-bearing loans and borrowings	13	43,846,035	36,622,401
Deferred tax liability	10	6,533,528	6,533,528
		50,379,563	43,155,929
Current liabilities			
Interest-bearing loans and borrowings	13	1,884,238	1,719,235
Trade and other payables	14	771,505	2,178,765
Current tax payable		38,316	-
		2,694,059	3,898,000
Total liabilities		53,073,622	47,053,929
TOTAL EQUITY AND LIABILITIES		85,700,803	82,648,170

The accounting policies and explanatory notes on pages 10 to 32 form an integral part of the financial statements.

The financial statements on pages 6 to 32 have been authorised for issue by the Board of Directors on 29 April 2019 and signed on its behalf by:



JEAN PIERRE ELLUL CASTALDI
Director



MARK SHAW
Director

PHOENICIA MALTA LIMITED (formerly Cuffe (Malta) Limited)
Separate Financial Statements for the year ended 31 December 2018

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

	Issued capital EUR	Retained earnings EUR	Other reserves EUR	Total EUR
At 1 January 2018	5,000	1,004,996	34,584,245	35,594,241
Profit for the year	-	(2,967,060)	-	(2,967,060)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(2,967,060)	-	(2,967,060)
At 31 December 2018	5,000	(1,962,064)	34,584,245	32,627,181
At 1 January 2017	5,000	681,049	-	686,049
Profit for the year	-	34,908,192	-	34,908,192
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	34,908,192	-	34,908,192
Transfer between reserves (note 8)	-	(34,584,245)	34,584,245	-
At 31 December 2017	5,000	1,004,996	34,584,245	35,594,241

The accounting policies and explanatory notes on pages 10 to 32 form an integral part of the financial statements.

PHOENICIA MALTA LIMITED (formerly Cuffe (Malta) Limited)
Separate Financial Statements for the year ended 31 December 2018

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
(Loss) / Profit before tax		(2,928,744)	41,441,720
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
<i>Non-cash:</i>			
Finance costs	6	1,689,873	1,411,780
Increase in fair value of immovable property	8	-	(41,117,773)
<i>Working capital adjustments:</i>			
Increase in trade and other payables		123,058	14,319
Increase in other receivables		-	(500,000)
Break fee		3,383,047	-
Income tax paid		-	(1,214)
Net cash flows from operating activities		2,267,234	1,248,832
Investing activities			
Purchase of investment property		(847,391)	(4,999,810)
Advances to related party		(2,136,776)	(1,155,967)
Increase in investment in subsidiary	9	(250,000)	-
Net cash flows used in investing activities		(3,234,167)	(6,155,777)
Financing activities			
Proceeds from bank loans	20	2,984,168	5,713,509
Proceeds from loan from subsidiary	20	22,439,074	-
Repayment of other loans	20	(12,266,111)	-
Repayment of amounts due to other parties	14	(1,662,434)	-
Repayment of bank loans	20	(4,559,167)	-
Payment of break fee	6	(3,383,047)	-
Advances from related party		313,407	249,899
Interest paid		(2,899,201)	(1,056,639)
Net cash flows from financing activities		966,689	4,906,769
Net movement in cash and cash equivalents		(244)	(176)
Cash and cash equivalents at 1 January		1,615	1,791
Cash and cash equivalents at 31 December	15	1,371	1,615

The accounting policies and explanatory notes on pages 10 to 32 from an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

The financial statements of the Phoenicia Malta Limited (formerly Cuffe (Malta) Limited) ('the Company') for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 29 April 2019. Phoenicia Malta Limited is a limited liability company incorporated and domiciled in Malta under the Companies Act, Cap. 386 of the Laws of Malta. Its registered office is The Phoenicia Hotel, The Mall, Floriana, FRN1478, Malta. The Company's principal activity is the rental of investment property to a related party. On 11 September 2018, the Company changed its named from Cuffe (Malta) Limited to Phoenicia Malta Limited.

1.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards issued as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements are prepared in Euro (EUR), which represents the functional and presentation currency of the Company.

IFRS 10, Consolidated Financial Statements, requires a parent company to prepare consolidated financial statements in which it consolidates its investments in subsidiaries. However, the Company is exempted from the preparation of consolidated financial statements in accordance with Section 173 of the Companies Act, Cap. 386 of the Laws of Malta.

These financial statements have been prepared under the historical cost convention, except for investment property that have been measured at fair value.

2. GOING CONCERN

During the year ended 31 December 2018, the Company incurred a loss before tax of EUR2,928,744. The loss is attributable to a break-fee of EUR3,383,047 due to the early repayment of interest-bearing loans and borrowings (note 6). This fee is not expected to recur in future years.

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. 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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as endorsed 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 9 – Financial instruments - continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

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 IAS 12 Income tax consequences of payments on financial instruments classified as equity (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 23 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)

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 adoption of IFRS 16 is not expected to have a material impact on the Company.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years 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 taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

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.

Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment property is measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss in the year in which they arise.

Transfers are made to (or from) investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets – continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets – continued

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).

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Policies applicable before 1 January 2018

Financial assets

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 11.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets – continued

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.

Financial liabilities

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:

Interest-bearing 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 interest-bearing loans and borrowings and trade and other payables. For more information, refer to note 13 and note 14 respectively.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Cash and cash equivalents

Cash and short-term deposits 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 judgment 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 for in the year the changes become known.

In the opinion of the Directors, 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.

Fair value of investment property

The Company carries its investment properties at fair value, with changes in fair value being recognised in the Statement of comprehensive income in accordance with IAS 40, 'Investment Property'. This is based on market valuations performed by independent professional architects at least every two years. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of investment properties consisting of land and building is performed to reflect market conditions at the year-end date. The last market valuation was performed in 2018 (note 8).

Deferred tax liability

The company's investment property is measured using the fair value model in IAS40. IAS12 establishes a rebuttable presumption requiring the deferred tax liability to be measured on the basis that the IP will be recovered through sale. This presumption is rebuttable if the Investment property is depreciable and the company expects to consume substantially all the economic benefits through use over time rather than through sale.

Judgement is required to determine whether the company expects to consume substantially all the economic benefits through use. In exercising its judgement management has taken into account the proportion of non-depreciable assets and the extent of depreciable assets that are expected to be recovered through use based on existing plans compared to the economic useful life. In making this assessment, management concluded that it does not expect to consume substantially all the economic benefits through use and consequently measured the deferred tax liability based on the rebuttable presumption that the value of the investment property will be recovered through sale i.e. deferred tax is calculated at 8% of the sales value of the Investment Property (as opposed to the normal tax rate of 35% on taxable income)

4. RENTAL INCOME

Rental income represent rent arising from the lease of investment property to a related company. 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 receives annual rent of EUR2,500,000 revisable every three years assuming a complete development of the hotel.

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NOTES TO THE FINANCIAL STATEMENTS - continued

5. EXPENSES BY NATURE

	2018	2017
	EUR	EUR
Auditor's remuneration	15,150	5,100
Legal fees	3,400	5,000
Other professional fees	86,219	2,986
Bank charges	240	372
Ground rent	815	815
Administrative expenses	105,824	14,273

6. FINANCE COST

	2018	2017
	EUR	EUR
Interest payable on interest-bearing loans and borrowings (note 13)	1,679,873	1,411,780
Break fee on other loan (i)	3,383,047	-
Other finance charges	10,000	-
	5,072,920	1,411,780

(i) The break fee on other loan amounting to EUR 3.4 million was incurred by the Company as a result of the early repayment of the Other loan (note 13).

7. INCOME TAX EXPENSE

The income tax expense for the year is comprised of the following:

	2018	2017
	EUR	EUR
Current tax expense	38,316	-
Deferred tax expense	-	6,533,528
	38,316	6,533,528

The income tax expense differs from the theoretical tax expense that would apply on the Company's profit before tax using the applicable tax rate in Malta of 35% as follows:

	2018	2017
	EUR	EUR
(Loss) / Profit before tax	(2,928,744)	41,441,720
Theoretical tax (credit) / expense at 35%	(1,025,061)	14,504,602
Tax effect of		
- expenses not deductible for tax purposes	1,184,067	4,711
- other rates: property tax (8% - see note 10)	36,754	(7,857,693)
- maintenance allowance	(157,444)	(118,092)
Income tax expense	38,316	6,533,528

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INVESTMENT PROPERTY

	Total EUR
At 1 January 2017	35,393,082
Additions	5,158,247
Increase in fair value	41,117,773
	<hr/>
At 31 December 2017	81,669,102
Additions	847,391
	<hr/>
At 31 December 2018	82,516,493
	<hr/> <hr/>

The loan facilities are secured by a general hypothec of EUR20.6 million (2017: EUR22 million) over the company's assets and a special hypothec of EUR20.6 million (2017: EUR22 million) over the Company's investment property. The loans are also secured by a general hypothecary guarantee of EUR20.6 million (2017: EUR22 million) given by a related party. The Company is committed to a development project as detailed in note 19.

In 2017, borrowing costs arising from bank and other borrowings capitalised within investment properties amounted to EUR 158,437 (2018: *nil*). A capitalisation rate of 0.36% was utilised in this respect.

In 2017, an amount equivalent to the increase in fair value of EUR41,117,773, net of the deferred tax liability of EUR6,533,528 was transferred from retained earnings to other reserves.

Fair value

An independent valuation of the Company's investment property was performed by architects to determine the fair value as at 31 December 2018. The amount did not result in an increase in fair value compared to the value that was observed as at 31 December 2017.

The Company's investment property comprises a hotel building and its surrounding lands. As of 29 October 2018, an assessment of the fair value of the investment property was performed in accordance with the International Valuation Standards Committee and adopted by the European Group of Valuers Association. Fair value movements were credited to profit and loss and subsequently transferred to other reserves under equity.

Valuation processes

The Company engages external, independent and qualified architects to determine the fair value of the investment property. At the date of the valuation, management:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior valuation report;
- holds discussions with the independent architects.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent architects.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INVESTMENT PROPERTY - continued

Valuation techniques and inputs

The fair value was determined by the income approach. This method involves the application of a market-derived discount rate to the annual earnings to establish the present value of the income stream associated with the asset. An implicit assumption in this method is that the cash flow is perpetuity and the discount rate is a constant.

The capitalisation rate is based on the actual location, size and quality of the investment property and taking into account market data at the valuation date as follows:

	Unobservable capitalisation rate
Sites in operation	a capitalisation rate of 7% was used.
Other sites	a capitalisation rate of 25% was used.

For each valuation for which capitalisation rate have been determined to be significant unobservable inputs, the lower the capitalisation rate, the higher the fair value. Conversely, the higher the capitalisation rate, the lower the fair value.

The value determined by the architects assumes that the development of the investment property under construction is complete. Accordingly the value was adjusted for the estimated costs to complete the development of the property under construction and the value of property, plant and equipment held by a related Company.

The investment property is categorised under level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined as follows:

- Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

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NOTES TO THE FINANCIAL STATEMENTS - continued

9. INVESTMENT IN SUBSIDIARY

	2018	2017
	EUR	EUR
At 1 January	-	-
Increase in investment in subsidiary (note i)	250,000	-
At 31 December	250,000	-

The subsidiary at 31 December 2018 is shown below:

	Principal activity	Registered office	Class of shares held	Percentage of shares held
Phoenicia Finance Company p.l.c.	Financing	The Phoenicia Hotel The Mall, Floriana	Ordinary	99.99%

- (i) Phoenicia Finance Company p.l.c. was incorporated by Phoenicia Malta Limited on 23 October 2018.

10. DEFERRED TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using a property tax rate of 8%.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	EUR	EUR
<i>Non-current</i>		
Other receivables (i)	50,000	50,000
	50,000	50,000
<i>Current</i>		
Amounts due from related parties (ii)	2,382,939	427,453
Accrued income (iii)	500,000	500,000
	2,882,939	927,453

- (i) Other non-current receivables mainly relate to guarantees which are released once the development of investment property is complete.
- (ii) Amounts due from related parties represent a current account which is used to manage cash between the Company and related parties. The amounts are unsecured and interest-free and repayable on demand.
- (iii) Accrued income represents rental income not yet billed to related parties.

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NOTES TO THE FINANCIAL STATEMENTS - continued

12. ISSUED CAPITAL AND RESERVES

Issued Capital

	2018	2017
	EUR	EUR
Authorised:		
9,999 Ordinary shares 'A' of EUR1 each	9,999	9,999
1 Ordinary share 'B' of EUR1	1	1
	10,000	10,000
Issued and fully paid:		
4,999 Ordinary shares 'A' of EUR1 each	4,999	4,999
1 Ordinary share 'B' of EUR1	1	1
	5,000	5,000

Holders of Ordinary shares 'A' have the right to vote and receive dividend whilst holders of Ordinary shares 'B' have the right to vote without the right to receive dividend.

Other reserves

Other reserves represent unrealised fair value gains on investment properties, net of tax, that are not available for distribution.

13. INTEREST-BEARING LOANS AND BORROWINGS

	2018	2017
	EUR	EUR
<i>Non-current</i>		
Other loan (i)	-	13,540,441
Bank loan (ii)	21,406,961	23,081,960
Loan from subsidiary (iii)	22,439,074	-
	43,846,035	36,622,401
<i>Current</i>		
Bank loan (ii)	1,810,532	1,719,235
Loan from subsidiary (iii)	73,706	-
	1,884,238	1,719,235
Total interest-bearing loans and borrowings	45,730,273	38,341,636

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

	2018	2017
	EUR	EUR
Between one and two years	1,641,667	1,640,295
Between two and five years	4,925,000	4,925,000
More than five years	37,279,368	30,057,107
	43,846,035	36,622,401

NOTES TO THE FINANCIAL STATEMENTS - continued

13. INTEREST-BEARING LOANS AND BORROWINGS - continued

The Company has the following facilities:

- (i) The other loan was settled in 2018. In 2017, the loan facility was secured by a general hypothec over all the assets of the Company, a special hypothec on its investment property and by guarantees made by other parties on behalf of the Company. This loan and related security were subordinated to the bank loan facility.
- (ii) Bank loan facilities of EUR23,048,627 (2017:EUR24,625,000) bearing an average interest of 2.90% (2017: 2.80%) (minimum rate) plus 3 months EURIBOR per annum. The loan facilities are secured by a general hypothec for EUR20.6 million (2017: EUR22 million) over all the assets of the Company. The facilities are also secured by a special hypothec of EUR20.6 million (2017: EUR22 million) on the Company's investment property. A general hypothecary guarantee of EUR20.6 million (2017: EUR22 million) was also given by a related company.
- (iii) A loan from subsidiary of EUR 22,439,074 is unsecured and bears an interest of 4.73% per annum payable annually in arrears. The loan is repayable on 30 November 2028.
- (iv) There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

14. TRADE AND OTHER PAYABLES

	2018	2017
	EUR	EUR
Amounts due to other parties (i)	332,566	1,995,000
VAT payable	162,783	56,083
Accruals	276,156	127,682
	771,505	2,178,765

- (i) Amounts due to other parties represent advances by the previous shareholders of the Company. The amounts are unsecured, non-interest bearing and with no fixed date for repayment.

15. CASH AND SHORT-TERM DEPOSITS

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

	2018	2017
	EUR	EUR
Cash at bank	1,371	1,615

16. PARENT AND ULTIMATE CONTROLLING PARTY

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

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

The Company has undertaken the following transactions with related parties:

		Rental income related party	Amounts from related party	Amounts owed to related party
Phoenicia Hotel Company Limited	2018	2,250,000	2,250,823	-
	2017	1,750,000	-	427,453
Phoenicia Finance Company p.l.c	2018	-	132,116	22,439,074
	2017	-	-	-

As disclosed in note 8 and note 13, the loans are also secured by a guarantee provided by a related party. Moreover, the Company has provided guarantees amounting to EUR900,968 (2017: EUR367,436) to a related party.

18. CONTINGENT LIABILITIES

A related 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 the company.

19. COMMITMENTS

As at 31 December 2018, the Company had capital commitments with respect to the development of investment property estimated at EUR2.7 million (2017: EUR5.3 million).

As disclosed in note 8 and note 13, the Company has also provided the bank with guarantees over the assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

20. FINANCIAL RISK MANAGEMENT

The Company's principal financial assets comprise of other receivables and cash and short-term deposits which arrive directly from its operations. The Company's main financial liabilities are interest-bearing loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations.

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of other receivables and cash and short-term deposits

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company considers that with the exception of the balances due from related parties (note 11), it is not exposed to major concentrations of credit risk.

The Company's short-term deposits are placed with quality financial institutions. Carrying amounts for 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 11 and note 15.

Liquidity risk

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

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

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company does not expect the amounts due to other parties and the amounts due to related parties as disclosed in note 14 to be settled within one year.

The table does not reflect the expected cash flows. It summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments:

	Carrying amount EUR	Undiscounted contractual cash flows EUR	Within one year EUR	1 to 5 years EUR	Over 5 years EUR
31 December 2018					
Interest-bearing loans and borrowings	45,730,273	60,715,944	3,313,232	12,875,175	44,527,537
Other liabilities	771,505	771,505	771,505	-	-
	46,501,778	61,487,449	4,084,737	12,875,175	44,527,537

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NOTES TO THE FINANCIAL STATEMENTS - continued

20. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Carrying amount EUR	contractual cash flows EUR	Undiscounted Within one year EUR	1 to 5 years EUR	Over 5 years EUR
31 December 2017					
Interest-bearing loans and borrowings	38,341,636	58,031,206	2,200,416	8,752,039	47,078,751
Other liabilities	2,178,765	2,178,765	2,178,765	-	-
	40,520,401	60,209,971	4,379,181	8,752,039	47,078,751

Interest rate risk

The interest rates on the borrowings are disclosed in note 13. The bank loan is subject to variable interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax.

	Increase/decrease in basis points	Effect on profit before tax EUR '000
2018	+100	239
	-50	120
2017	+100	(370)
	-50	185

Changes in liabilities arising from financing activities

	1 January 2018 EUR	Cash flows EUR	Accrued interest EUR	Rent expense EUR	31 December 2018 EUR
Bank loans and other loans	38,341,636	(13,841,110)	(1,283,033)	-	23,217,493
Loan from subsidiary	-	22,439,074	73,706	-	22,512,780
	1 January 2017 EUR	Cash flows EUR	Accrued interest EUR	Rent expense EUR	31 December 2017 EUR
Amounts due to related parties	478,616	568,931	-	(1,475,000)	(427,453)
Bank loans and other loans	32,114,548	5,713,508	513,580	-	38,341,636

NOTES TO THE FINANCIAL STATEMENTS - continued

20. FINANCIAL RISK MANAGEMENT - continued

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or adjust financing arrangements. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

21. 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, except as disclosed in note 8, the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables and current interest bearing loans and borrowings approximated their fair value in view of the nature of the instruments or their short-term maturity. The fair values of non-current interest-bearing loans and borrowings are not materially different from their carrying amounts.