

Registration Number C 6138

SEA PEBBLES LIMITED

Report and Financial Statements

for the year ended 31st December 2021

SEA PEBBLES LIMITED

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SEA PEBBLES LIMITED

Directors' Report

for the year ended 31st December 2021

Directors	Joseph Casha Josephine Casha
Registered address	89 The Strand Sliema SLM 1022

The directors present their report and the audited financial statements for the year ended 31st December 2021.

Principal activity

The principal activity of the company is the operation of the Pebbles Boutique Aparthotel in Sliema.

Business review

The loss for the year amounted to €217,216 (2020 : Loss of €276,890). The revenue for the year amounted to €721,871 (2020 : €344,814).

The financial results attained in 2021 are marginally better than those attained in 2020. This is in line with the projections made in last year's Directors' Report. During 2021 the company generated a gross profit of €242,463 (2020 : Gross loss of €12,041), and an operating profit of €344 (2020 : Operating loss of €229,252). On the other hand, the Company incurred higher finance costs on loans from its parent company, mainly due to a revision of the loan agreement effective from 1st January 2021, which saw the interest due to the parent company increase from €103,953 in 2020 to €295,186 in 2021.

Dividends and reserves

The results for the year are set out on page 8.

The directors do not recommend the payment of an ordinary dividend and propose to transfer the loss for the year to reserves.

Statement regarding Covid-19

The COVID-19 pandemic that impacted the world since the beginning of 2020 has had severe repercussions on global economies. The tourism industry was particularly badly hit due to travel restrictions imposed by governments acting on health authorities' advice. In Malta, tourist arrivals which totalled 2.77 million in 2019, decreased to 660k in 2020, representing a decrease of 76%. In 2021, tourism figures bounced back by 47% to reach 969k, which however still represents only 35% of the tourist arrivals in the record year of 2019. It is significant to note that the latest figures for January and February 2022 indicate that during these two months, tourist arrivals are at approximately 42% of the tourist arrivals in the pre-pandemic period of January and February 2020.

SEA PEBBLES LIMITED

Directors' Report

for the year ended 31st December 2021

As in previous years, the Company generates its revenue almost exclusively through the operation of its hotel. It does not have, and is not expected to have in the foreseeable future, any alternative sources of revenue that can mitigate the negative effects brought about by a general downturn in the travel industry, such as the one caused by COVID-19. Its financial performance is therefore inextricably linked to the general performance of the Maltese tourism sector.

In this regard, it is encouraging to note that in 2021 the Company's revenue reached €722k, representing a 109% increase over the 2020 revenue of €345k. This result indicates that the Company managed to grab a proportionately larger share of the country's tourist numbers, which as stated above, increased by 47% between 2020 and 2021.

It is also significant that during a year in which tourism figures were still at 35% of pre-pandemic levels, the Company managed to register a gross profit of €242k compared to a gross loss of €12k in 2020.

Within the context of the dire situation the tourism sector is still in, these results are encouraging and are testimony to the significant efforts made by management and staff during the last couple of years to survive the difficult period which arose from circumstances beyond their control and be well placed on the market to take advantage of the upturn in tourism that is expected in the coming months and years.

It is pertinent to acknowledge that various measures introduced by the authorities were crucial to the Company's survival during the several months when the hotels were closed for business. Among the most important measures were:

- The Wage Supplement Scheme, without which the Company would have had to lay off most of its workers;
- Deferment of taxes, which was crucial to maintain adequate levels of working capital;
- The COVID-19 Guarantee Scheme operated by the Malta Development Bank, through which it obtained additional funds of €589k to finance its working capital;

In view of the long-term duration of the COVID-19 pandemic, the directors have made a thorough evaluation of its short- to medium-term likely impact on the Company's finances, especially with a view to determine the probability that the Company will continue with its operations in the foreseeable future.

As noted above, in 2021 the Company managed to increase its gross revenue by 109% over 2020 and register a gross profit of just under €250k. This, in the directors' view, clearly points to a situation whereby the Company's hotel operations and consequently its financial results are set to pick up at a pace which at least equals and most probably exceeds the recovery pace of Malta's tourism sector. In turn, such recovery clearly depends on how the COVID-19 pandemic evolves and how the authorities respond through the relaxation of travel and assembly restrictions.

In this regard, it is reassuring to note that all countries from where most of Malta's tourists originate have been steadily relaxing travel and assembly restrictions, and in some cases such as the United Kingdom, dismantling them completely. This is undoubtedly a consequence of the high percentage of vaccinated people within their populations and the effectiveness of vaccines in ensuring that if the virus is indeed contracted, its effects almost invariably are mild and not life threatening.

SEA PEBBLES LIMITED

Directors' Report

for the year ended 31st December 2021

The situation in Malta largely follows this trend. The latest pronouncements made by public health officials indicate that practically all restrictions will be removed in time for the summer season. This is undoubtedly excellent news for the Company's operations since a good summer season is crucial to the Company's performance.

Within this context, the directors prepared several financial projections for the year 2022 and beyond, representing different scenarios that varied from the cautiously optimistic to the moderately pessimistic. The financial projections that were finally adopted by the directors were those resulting from the scenario that it considered to be the most realistic and yet prudent one. On the basis of these financial projections, the financial results for the year 2022 are expected to improve very significantly compared to those achieved in 2021 with gross revenue expected to almost double over this period and with progress being made in liquidity ratios.

As stated, the projections adopted by the directors were those it considered to be based on a realistic yet prudent scenario. None of the scenarios included the closure of the hotels for any period of time as a result of the pandemic or for any other reason outside the Company's control. In view of all the information available to the directors regarding the course of the pandemic and the current state of the war in Ukraine, it considered this to be a realistic assumption.

The directors also considered the excellent relationship that the Company continues to enjoy with its bankers, a relationship that spans several decades, which suggests that additional finance, if needed, is likely to be forthcoming.

Following this detailed assessment, the directors concluded that the Company is likely to generate sufficient financial resources through its operations as to permit it to continue in operational existence for the foreseeable future, alternatively it is very likely it will be able to access adequate external financial resources to do so.

Therefore, the directors hereby state that these financial statements have been prepared on the going concern basis.

Directors

In accordance with the company's Articles of Association, the directors, who held office throughout the year, remain in office.

Directors' responsibilities

The Maltese Companies Act (Cap. 386), requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year, in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

SEA PEBBLES LIMITED

Directors' Report

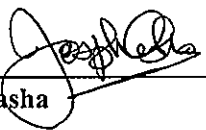
for the year ended 31st December 2021

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

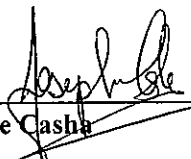
Auditors

The auditors, Steven Galea and Associates Limited, have intimated their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

This report was approved and authorised for issue by the Board of Directors on 29th April 2022, and signed on its behalf by:



Joseph Casha
Director



Josephine Casha
Director



**Steven Galea
and Associates**
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
To the Members of Sea Pebbles Limited

Opinion

We have audited the accompanying financial statements of Sea Pebbles Limited, which comprise the Statement of Financial Position as at 31st December 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Sea Pebbles Limited as of 31st December 2021 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, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with 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 Act in Malta, and we have fulfilled our 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 audit opinion.

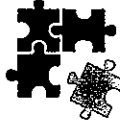
Material Uncertainty Relating to Going Concern as a result of Covid-19

We draw attention to Note 2 to these financial statements which describes the directors' assessment of the estimated impact of Covid-19 on the Company's projected financial results, cash flows and financial position, taking cognisance of the unprecedented nature of the adverse economic conditions experienced. These events or conditions, along with other matters as set forth in the said Note, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report. Our opinion on the financial statements does not cover the other information.

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



Steven Galea and Associates

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of Sea Pebbles Limited

With respect to the Directors' report, we also considered whether it includes the disclosures required by Art. 177 of the Companies Act (Chap. 386).

Based on the work we have performed, in our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Companies Act (Chap. 386).

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information. We have nothing to report in this regard.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the entity'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 entity or to cease operations, or have no realistic alternative but to do so.

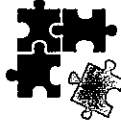
Auditors' Responsibilities for the Audit of the Financial Statements

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 Auditors' 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 judgement and maintain professional scepticism throughout the audit. We also:

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



**Steven Galea
and Associates**

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of Sea Pebbles Limited

-
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the Directors' use of 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the entity 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 the directors 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 Frameworks

Under the Companies Act, 1995 (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

Steven Galea

for and on behalf of
Steven Galea and Associates Limited
Certified Public Accountants

Date : 29th April 2022

SEA PEBBLES LIMITED

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2021

		2021	2020
	Notes	€	€
Revenue	2	721,871	344,814
Cost of sales		(479,408)	(356,855)
Gross profit		242,463	(12,041)
Administrative expenses		(98,047)	(84,658)
Other operating income	4	33,052	47,688
Loss on sale of property, plant and equipment		-	-
Earnings before interest, tax and depreciation		177,468	(49,011)
Depreciation		(177,124)	(180,241)
Operating profit/(loss)	5	344	(229,252)
Finance costs	6	(321,306)	(129,114)
Loss before taxation		(320,962)	(358,366)
Income tax	7	103,746	81,476
Loss for the year		(217,216)	(276,890)
Total comprehensive income		(217,216)	(276,890)

The notes on pages 13 to 34 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position

at 31st December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	22,146,931	22,149,796
Investment property	9	6,004,491	6,004,491
Right-of-use assets	11	17,037	20,445
Other financial assets at amortised cost	12	-	631,997
		<u>28,168,459</u>	<u>28,806,729</u>
Current assets			
Trade and other receivables	13	198,735	87,854
Other financial assets at amortised cost	12	644,657	265,000
Cash at bank and in hand	14	15,393	68,958
		<u>858,785</u>	<u>421,812</u>
Total assets		<u>29,027,244</u>	<u>29,228,541</u>

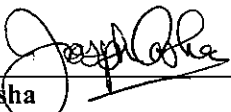
The notes on pages 13 to 34 form an integral part of these financial statements.

SEA PEBBLES LIMITED


Statement of Financial Position at 31st December 2021

	Notes	2021 €	2020 €
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	15	4,215,875	4,215,875
Revaluation reserve	16	14,799,920	14,799,920
Other reserves	16	2,837,673	3,888,100
Retained earnings		(10,870)	206,346
Total equity		<u>21,842,598</u>	<u>23,110,241</u>
Non-current liabilities			
Long-term borrowings	17	3,959,384	2,823,784
Deferred taxation	18	2,308,921	2,412,667
Lease liabilities	11	13,646	17,353
		<u>6,281,951</u>	<u>5,253,804</u>
Current liabilities			
Short-term borrowings	17	507,919	509,072
Trade and other payables	19	231,348	178,996
Current tax payable	20	159,721	172,930
Lease liabilities	11	3,707	3,498
		<u>902,695</u>	<u>864,496</u>
Total liabilities		<u>7,184,646</u>	<u>6,118,300</u>
Total equity and liabilities		<u><u>29,027,244</u></u>	<u><u>29,228,541</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 29th April 2022, and signed on its behalf by:



Joseph Casha
Director



Josephine Casha
Director

The notes on pages 13 to 34 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Changes in Equity
for the year ended 31st December 2021

	Called-up issued share capital	Revaluation reserve	Retained earnings	Share issue costs reserve	Capital contribution reserve	Fair value gain reserve	Total
	€	€	€	€	€	€	€
At 1st January 2020	4,215,875	14,799,920	787,263	(100,340)	1,154,380	2,938,013	23,795,111
Loss for the year	-	-	(276,890)	-	-	-	(276,890)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	(276,890)	-	-	-	(276,890)
Transfer against interest on loan from parent	-	-	103,953	-	(103,953)	-	-
Dividends	-	-	(407,980)	-	-	-	(407,980)
At 31st December 2020	4,215,875	14,799,920	206,346	(100,340)	1,050,427	2,938,013	23,110,241
Loss for the year	-	-	(217,216)	-	-	-	(217,216)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	(217,216)	-	-	-	(217,216)
Elimination of below-market element on loan from parent	-	-	-	-	1,050,427	-	(1,050,427)
At 31st December 2021	4,215,875	14,799,920	(10,870)	(100,340)	-	2,938,013	21,842,598

SEA PEBBLES LIMITED

Statement of Cash Flows

for the year ended 31st December 2021

	2021	2020
	€	€
Cash flows from operating activities		
Operating profit/(loss)	344	(229,252)
Adjustments for:		
Depreciation	177,124	180,241
	<u>177,468</u>	<u>(49,011)</u>
Working capital changes:		
Movement in trade and other receivables	141,459	307,780
Movement in trade and other payables	(226,082)	(150,811)
Cash flows from operations	92,845	107,958
Interest paid	(321,306)	(129,114)
Taxation paid	(13,209)	(53,170)
Net cash flows from operating activities	<u>(241,670)</u>	<u>(74,326)</u>
Cash flows from investing activities		
Acquisition of investment property	-	(30,000)
Acquisition of property, plant and equipment	(170,851)	(291,135)
Net cash flows from investing activities	<u>(170,851)</u>	<u>(321,135)</u>
Cash flows from financing activities		
Movement in bank loans	301,859	287,141
Movement in other borrowings	(3,498)	(3,297)
Dividends paid	-	(407,980)
Net cash flows from financing activities	<u>298,361</u>	<u>(124,136)</u>
Movement in cash and cash equivalents	<u>(114,160)</u>	<u>(519,597)</u>
Reconciliation of net cash flow to movement in net debt		
Movement in cash and cash equivalents	(114,160)	(519,597)
Cash and cash equivalents at start of year	7,538	527,135
Cash and cash equivalents at end of year	<u>(106,622)</u>	<u>7,538</u>
Cash and cash equivalents		
Cash at bank and in hand	15,393	68,958
Bank overdraft	(122,015)	(61,420)
	<u>(106,622)</u>	<u>7,538</u>

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

1. General information

Sea Pebbles Limited is a limited liability company incorporated in Malta. The principal activity of the company is the operation of the Pebbles Boutique Aparthotel in Sliema. Its registered office is at 89, The Strand, Sliema.

2. Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Maltese Companies Act (Chap. 386), and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

Assessment of the appropriateness of the going concern assumption taking cognisance of the effects of Covid-19 on the Company's cash flows

The directors are conscious that in common with similar businesses operating in the hospitality industry all judgements reached at this stage remain subject to material degree of underlying uncertainty, however the following matters are considered to constitute a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

As at 31 December 2021, the company's current liabilities exceeded its current assets by €43,910 (2020: €442,684). The company has continued to manage this position during the course of the current financial year, with the help of various measures which were crucial to the company's survival during the period when the hotel business has been effected by measures introduced to limit the spread of Covid-19. Among the most important measures were:

- The Wage Supplement Scheme, without which the company would have had to lay off most of its workers;
- Deferment of taxes, which was crucial to maintain adequate levels of working capital;
- The COVID-19 Guarantee Scheme operated by the Malta Development Bank, through which it obtained additional funds of €589k to finance its working capital;

As in previous years, the Company generates its revenue almost exclusively through the operation of its hotel. It does not have, and is not expected to have in the foreseeable future, any alternative sources of revenue that can mitigate the negative effects brought about by a general downturn in the travel industry, such as the one caused by COVID-19. Its financial performance is therefore inextricably linked to the general performance of the Maltese tourism sector.

In this regard, it is encouraging to note that in 2021 the Company's revenue reached €722k, representing a 109% increase over the 2020 revenue of €345k. This result indicates that the Company managed to grab a proportionately larger share of the country's tourist numbers, which as stated above, increased by 47% between 2020 and 2021.

It is also significant that during a year in which tourism figures were still at 35% of pre-pandemic levels, the Company managed to register a gross profit of €242k compared to a gross loss of €12k in 2020.

Within the context of the dire situation the tourism sector is still in, these results are encouraging and are testimony to the significant efforts made by management and staff during the last couple of years to survive the difficult period which arose from circumstances beyond their control and be well placed on the market to take advantage of the upturn in tourism that is expected in the coming months and years.

In view of the long-term duration of the COVID-19 pandemic, the directors have made a thorough evaluation of its short- to medium-term likely impact on the Company's finances, especially with a view to determine the probability that the Company will continue with its operations in the foreseeable future.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

As noted above, in 2021 the Company managed to increase its gross revenue by 109% over 2020 and register a gross profit of just under €250k. This, in the directors' view, clearly points to a situation whereby the Company's hotel operations and consequently its financial results are set to pick up at a pace which at least equals and most probably exceeds the recovery pace of Malta's tourism sector. In turn, such recovery clearly depends on how the COVID-19 pandemic evolves and how the authorities respond through the relaxation of travel and assembly restrictions.

In this regard, it is reassuring to note that all countries from where most of Malta's tourists originate have been steadily relaxing travel and assembly restrictions, and in some cases such as the United Kingdom, dismantling them completely. This is undoubtedly a consequence of the high percentage of vaccinated people within their populations and the effectiveness of vaccines in ensuring that if the virus is indeed contracted, its effects almost invariably are mild and not life threatening.

The situation in Malta largely follows this trend. The latest pronouncements made by public health officials indicate that practically all restrictions will be removed in time for the summer season. This is undoubtedly excellent news for the Company's operations since a good summer season is crucial to the Company's performance.

Within this context, the directors prepared several financial projections for the year 2022 and beyond, representing different scenarios that varied from the cautiously optimistic to the moderately pessimistic. The financial projections that were finally adopted by the directors were those resulting from the scenario that it considered to be the most realistic and yet prudent one. On the basis of these financial projections, the financial results for the year 2022 are expected to improve very significantly compared to those achieved in 2021 with gross revenue expected to almost double over this period and with progress being made in liquidity ratios.

As stated, the projections adopted by the directors were those it considered to be based on a realistic yet prudent scenario. None of the scenarios included the closure of the hotels for any period of time as a result of the pandemic or for any other reason outside the Company's control. In view of all the information available to the directors regarding the course of the pandemic and the current state of the war in Ukraine, it considered this to be a realistic assumption.

The directors also considered the excellent relationship that the Company continues to enjoy with its bankers, a relationship that spans several decades, which suggests that additional finance, if needed, is likely to be forthcoming.

Following this detailed assessment, the directors concluded that the Company is likely to generate sufficient financial resources through its operations as to permit it to continue in operational existence for the foreseeable future, alternatively it is very likely it will be able to access adequate external financial resources to do so.

Accordingly, based on the outcome of the cashflow projections in a prudent scenario as referred to, the directors consider the going concern assumption in the preparation of the Company's financial statements as appropriate as at the date of authorisation for issue of the 2021 financial statements.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

New and revised standards that are effective for the current period

In the current year, the entity has adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2021:

- Amendments to IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (issued on 25 June 2020)

The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

New and revised standards that are issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1st January 2021. The company has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. They are subsequently stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are derecognised on 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, and are included in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Depreciation is provided at rates intended to write down the cost of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

Buildings	-	2%
Electrical installation	-	10%
Furniture and fittings	-	5%
Equipment	-	10%
Motor vehicles	-	20%
Computer equipment	-	25%

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

Financial assets

Financial assets are recognised when the entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities

The company's financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. Any changes in fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income.

Interest-related charges are recognised as an expense in the period in which they are incurred.

Share capital

Ordinary shares are classified as equity.

Dividends are recognised in the period in which they are declared.

Impairment

Impairment testing for intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which asset's (or cash generating unit's) carrying amount exceeds its recoverable amount, which is higher of fair value less costs of disposal and value-in-use. These assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

Impairment of financial assets

Impairment calculations for financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. In applying this forward-looking approach, a distinction is made between: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (stage 1), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The entity makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The entity takes into consideration the historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Refer to Note 13 for a detailed analysis of how the impairment requirements are applied.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Profit or Loss and Other Comprehensive Income so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Foreign currencies

The financial statements are presented in Euro, being both the company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position. Translation differences are dealt with through the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Revenue

Revenue represents the invoiced value of goods sold and services rendered, net of taxes. Revenue is recognised either at a point in time or over time, when the entity satisfies performance obligations by transferring the promised good or providing the promised services to its customers.

Government grants

Grants from government are recognised at their fair value when there is a reasonable assurance that the grant will be received, and the company will comply with all attached conditions.

Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such grants are presented as part of profit or loss.

Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

4. Other operating income

	2021	2020
	€	€
Rental income from restaurants	27,552	42,188
Service charge receivable	5,500	5,500
	<u>33,052</u>	<u>47,688</u>

5. Operating profit/(loss)

	2021	2020
	€	€
Operating profit/(loss) is stated after charging:		
Staff costs	<i>Note</i> 235,924	217,461
Directors' remuneration	<i>Note</i> 120,000	90,000
Depreciation	177,124	180,241
Auditors' remuneration	4,800	4,800
	<u>4,800</u>	<u>4,800</u>

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

Staff costs

	2021	2020
	€	€
Wages and salaries (including directors' remuneration)	338,399	289,431
Social security costs	17,525	18,030
	<u>355,924</u>	<u>307,461</u>
Government assistance	(152,664)	(139,188)
	<u>203,260</u>	<u>168,273</u>

Government assistance

The Maltese Government announced a number of measures to financially support businesses where operations were significantly impacted by the Covid-19 pandemic. The company was eligible to benefit from the Covid Wage supplement under Annex A, receiving €800 on a monthly basis per full-time employee starting from 9 March 2020.

	2021	2020
Number of employees		
The average number of employees (including the directors) during the year was:		
Operations and administration	<u>17</u>	<u>17</u>

6. Finance costs

	2021	2020
	€	€
Interest on bank overdraft	6,088	5,115
Interest on bank loan	2,280	235
Interest on related party loans	295,186	103,953
Lease finance charges and hire purchase interest	1,099	1,300
Other interest	16,653	18,511
	<u>321,306</u>	<u>129,114</u>

7. Income tax

	2021	2020
	€	€
Malta Income Tax :		
Deferred	<u>(103,746)</u>	<u>(81,476)</u>

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

The accounting loss and the tax credit for the year are reconciled as follows:

	2021	2020
	€	€
Loss before taxation	(320,962)	(358,366)
Tax thereon at 35%	(112,337)	(125,428)
Tax effect of permanent differences	10,520	46,905
Maintenance allowance on rental income	(1,929)	(2,953)
Tax credit for the year	(103,746)	(81,476)

8. Dividends

	2021	2020
	€	€
Dividends on equity shares:		
Ordinary shares - Total net dividend	-	407,980
Euro per share (net)	€0	€0.097

9. Investment property

	2021	2020
	€	€
At 1st January	6,004,491	5,974,491
Additions	-	30,000
Revaluation	-	-
At 31st December	6,004,491	6,004,491

Investment property is valued annually on 31 December at fair value comprising open market value approved by the directors on the basis of a professional valuation prepared by an independent architect.

Valuation of these assets has been reassessed after the reporting period following the spread of the Covid-19 pandemic and the resulting implication on the Company's operations.

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

10. Property, plant and equipment

	Land and buildings	Motor vehicles	Equipment	Electrical installation	Furniture and fittings	Computer equipment	Total
	€	€	€	€	€	€	€
Cost/revaluation							
At 1st January 2020	21,424,961	33,061	482,086	233,477	1,223,432	42,257	23,439,274
Additions	287,150	-	1,779	-	-	2,206	291,135
At 31st December 2020	21,712,111	33,061	483,865	233,477	1,223,432	44,463	23,730,409
At 1st January 2021	21,712,111	33,061	483,865	233,477	1,223,432	44,463	23,730,409
Additions	133,368	-	22,555	-	12,560	2,368	170,851
At 31st December 2021	21,845,479	33,061	506,420	233,477	1,235,992	46,831	23,901,260
Depreciation							
At 1st January 2020	393,329	27,808	335,570	103,322	503,541	40,210	1,403,780
Charge for the year	57,980	5,253	31,989	21,982	58,418	1,211	176,833
At 31st December 2020	451,309	33,061	367,559	125,304	561,959	41,421	1,580,613
At 1st January 2021	451,309	33,061	367,559	125,304	561,959	41,421	1,580,613
Charge for the year	57,980	-	32,905	21,982	59,046	1,803	173,716
At 31st December 2021	509,289	33,061	400,464	147,286	621,005	43,224	1,754,329
Net book value							
At 31st December 2021	21,336,190	-	105,956	86,191	614,987	3,607	22,146,931
At 31st December 2020	21,260,802	-	116,306	108,173	661,473	3,042	22,149,796
At 31st December 2019	21,031,632	5,253	146,516	130,155	719,891	2,047	22,035,494

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

Fair value measurement of the Company's land and buildings

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31st October 2018 were performed by an independent valuer not related to the Company.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

There has been no change to the valuation technique during the year.

Had the Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows.

	2021	2020
	€	€
Land and buildings	<u>4,655,870</u>	<u>4,580,482</u>

The directors have considered whether the effects of the Covid-19 pandemic, whether through a reduction in the prices of immovable property in general, and in the prices of hotel accommodation in particular arising from an expected slowdown in the tourism industry in the foreseeable future, could lead to an impairment in the value of the company's property, plant and equipment, particularly, its immovable property.

In considering whether an impairment of the company's immovable property has occurred, the directors took into consideration a valuation carried out by an independent architect in March 2022. This valuation considers the fact that the overall value of the company's immovable property has been enhanced by the purchase of property during 2019, which has now resulted in the company owning a set of properties, which when considering their future development potential together, give rise to a considerably higher market value. The directors therefore consider that any possible impairment on the value of immovable property due to the pandemic, is offset by the increase in the value of immovable property during 2019, and therefore, it is considered appropriate not to impair the company's immovable property.

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

11. Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases:

	2021	2020
	€	€
Right-of-use assets		
Lift	17,037	20,445
	<u>17,037</u>	<u>20,445</u>
Lease liabilities		
Current	3,707	3,498
Non-current	13,646	17,353
	<u>17,353</u>	<u>17,353</u>
	<u><u>17,353</u></u>	<u><u>20,851</u></u>

Additions to the right-of-use assets during the 2021 financial year were € - (2020 - € -).

(ii) Amounts recognised in the Statement of Profit or Loss

The Statement of Profit or Loss shows the following amounts relating to leases:

	2021	2020
	€	€
Depreciation charge of right-of-use assets		
Lift	3,408	3,408
	<u>3,408</u>	<u>3,408</u>
Interest expense (included in finance cost)	1,099	1,300
	<u>1,099</u>	<u>1,300</u>

The total cash outflow for leases in 2021 was € 4597 (2020 - € 4597).

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

12. Other financial assets at amortised cost

	2021	2020
	€	€
Non-Current:		
Amounts due by commonly controlled entity	<i>Note</i> -	631,997
Current:		
Amounts due by commonly controlled entity	<i>Note</i> 644,657	265,000
	<u>644,657</u>	<u>896,997</u>

Amounts due by commonly controlled entity

The amounts due by the commonly controlled entity are unsecured and interest free. This amount shall be repayable within 1 year in accordance with the signed repayment agreement in place.

Impairment for financial assets

This loan is expected to be recovered from sales of immovable property owned, or currently being developed, by the related party, and is unsecured and interest-free. The related party is involved in various property development projects, and although it does not have enough liquid assets to repay the loan upon demand, the company should have sufficient funds from sales of property to repay the loan in full within one year. The expected credit loss from default of this loan is deemed to be immaterial.

13. Trade and other receivables

	2021	2020
	€	€
Trade receivables	<i>Note</i> 39,647	374
Amounts owed by related parties	76,241	-
Other receivables	9,265	3,221
Unamortised bond issue costs	73,582	83,616
Financial assets	198,735	87,211
Prepayments	-	643
	<u>198,735</u>	<u>87,854</u>

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

Impairment for financial assets

Trade receivables

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses (ECL) for trade receivables as at 31st December 2021 was determined as follows:

		Trade receivables						
		Current	> 30 days	> 60 days	> 90 days	> 180 days	>365 days	Total
Expected credit loss rate	%	-	1.00	2.00	3.50	15.00	100.00	
Gross carrying amount	€	30,448	2,709	6,490	-	-	-	39,647
Lifetime expected credit loss	€	-	27	130	-	-	-	157

Since the resulting expected credit losses are trivial and not material, no expected credit losses have been recognised.

14. Cash at bank and in hand

As at year-end, the company did not have any restrictions on its cash at bank and in hand.

15. Called up issued share capital

	2021	2020
	€	€
Authorised		
4,215,875 Ordinary shares of €1 each	<u>4,215,875</u>	<u>4,215,875</u>
Called up issued and fully paid-up		
4,215,875 Ordinary shares of €1 each	<u>4,215,875</u>	<u>4,215,875</u>

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Notes to the Financial Statements

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16. Reserves

Capital contribution reserve

	2021	2020
	€	€
At 1st January	1,050,427	1,154,380
Reversal of capital contribution	(1,050,427)	-
Transfer against interest on loan from parent	-	(103,953)
At 31st December	<u>-</u>	<u>1,050,427</u>

For financial reporting periods up to 31st December 2020, capital contribution reserve consisted of a contribution, in the form of a long term, interest-free loan from the parent to the company. The amount of the contribution represented the difference, upon recognition of the borrowings by the company, between the fair value of the loan and the loan's nominal amount. This contribution from the parent was in excess of share capital, did not itself bear interest, and the parent did not have a right to oblige the company to return this contribution. The capital contribution reserve is non-distributable.

As from 1st January 2021, the loan from the parent became subject to interest at a rate of 8% per annum. This modification of the loan agreement means that there is no longer a below-market element on the loan received from the parent, and therefore the capital contribution has been transferred to the principal value of the loan from the parent.

Revaluation reserve

	2021	2020
	€	€
At 1st January	<u>14,799,920</u>	<u>14,799,920</u>
At 31st December	<u>14,799,920</u>	<u>14,799,920</u>

The revaluation reserve was created on the revaluation of the Company's property plant and equipment. The revaluation reserve is a non-distributable reserve.

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

Fair value gain reserve

	2021	2020
	€	€
At 1st January	2,938,013	2,938,013
At 31st December	<u>2,938,013</u>	<u>2,938,013</u>

This reserve represents changes in fair value, net of deferred tax, on the investment properties held by the Company for long-term rental yields. Movement in fair values are presented in profit or loss as part of 'fair value gains on investment property'. Information about the valuation process of the investment property is disclosed in note 9 to these financial statements.

The fair value gain reserve is considered to be a non-distributable reserve.

Share issue costs reserve

	2021	2020
	€	€
At 1st January	(100,340)	(100,340)
Costs incurred on issue of shares	<u>-</u>	<u>-</u>
At 31st December	<u>(100,340)</u>	<u>(100,340)</u>

This reserve represents finance costs for the funds received in relation to the issue of 3,750,000 Ordinary shares with a nominal value of €1 per share 100% paid up in the Company.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

17. Borrowings

	2021	2020
	€	€
Falling due within one year:		
Bank overdraft	<i>Note</i> 122,015	61,420
Bank loan	<i>Note</i> 319,439	102,753
Loan from parent	<i>Note</i> 66,465	344,899
	<u>507,919</u>	<u>509,072</u>
Short-term borrowings		
Falling due in between two and five years:		
Bank loan	<i>Note</i> 269,561	184,388
Falling due in five years or more:		
Loan from parent	<i>Note</i> 3,689,823	2,639,396
	<u>3,959,384</u>	<u>2,823,784</u>
Long-term borrowings		

Bank overdraft

At 31st December 2021 the company had a bank overdraft facility of €200,000. This facility is secured by a general hypothec over the company's assets, a special hypothec over the company's immovable property, a general hypothecary guarantee over directors' assets and by pledges over various insurance policies.

Bank loan

At 31st December 2021 the company had a bank loan facility of €589,000, repayable in monthly instalments of €34,895 after a moratorium period of 18 months from first drawdown. This facility is secured by a general hypothec over the company's assets, a general hypothecary guarantee over directors' assets, a special hypothec over the company's immovable property, and by a guarantee provided by the Malta Development Bank (MDB).

Loan from parent

The purpose of this loan was to finance the Company's repayment of bank borrowings and expenditure in immovable property during 2019. This loan is unsecured, and was originally interest-free. As from 1st January 2021, the loan became subject to interest at 8% per annum. Any loans from the parent falling due within one year remain interest-free.

The increase in the amount of the loan arose from the transfer of the capital contribution representing the below-market element of the loan, to the loan principal amount since this is now subject to interest.

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

18. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2021	2020
	€	€
Excess of capital allowances over depreciation	205,793	204,927
Unabsorbed tax losses and capital allowances	(219,175)	(118,043)
Effect due to tax treatment of bond costs	60,873	64,385
Effect due to tax treatment of finance leases	(110)	(142)
Effect due to revaluation of property, plant and equipment	1,880,400	1,880,400
Effect due to fair value movement of investment property	381,140	381,140
	<u>2,308,921</u>	<u>2,412,667</u>

Movements on the provision for deferred taxation are:

	2021	2020
	€	€
At 1st January	2,412,667	2,494,143
<i>Recognised in profit or loss:</i>		
Movement in the excess of capital allowances over depreciation	866	7,767
Movement in absorbed tax losses and capital allowances	(101,132)	(85,692)
Effect due to tax treatment of bond costs	(3,512)	(3,512)
Effect due to tax treatment of finance leases	32	(39)
Effect due to fair value movement of investment property	-	-
Effect of tax losses surrendered by group companies	-	-
<i>Recognised in other comprehensive income:</i>		
<i>Charged by group companies:</i>		
Recharge of tax losses surrendered by group companies	-	-
At 31st December	<u>2,308,921</u>	<u>2,412,667</u>
Effect recognised in:		
Deferred tax movements recognised in profit or loss (Note 7)	(103,746)	(81,476)
Deferred tax movements recognised in equity	-	-
Charged by group companies	-	-
	<u>(103,746)</u>	<u>(81,476)</u>

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

19. Trade and other payables

	2021	2020
	€	€
Trade payables	131,960	9,753
Amounts owed to related parties	<i>Note</i> 5,190	71,555
Indirect taxes	48,752	45,556
Accruals	45,446	52,132
	<u>231,348</u>	<u>178,996</u>

Amounts owed to related parties

These amounts are unsecured, interest free and have no fixed date of repayment.

20. Current tax payable

	2021	2020
	€	€
The tax provision is made up of :		
Balance at beginning of year	172,930	226,100
Settlement tax paid	(13,209)	(53,170)
Balance at end of year	<u>159,721</u>	<u>172,930</u>

Tax repayment agreement

During the year the company entered into an agreement with the Office of the Commissioner for Revenue to repay this balance in monthly instalments of €9914. The company has also been granted a moratorium of 15 months on these repayments until May 2022 due to the ongoing effects of the Covid-19 pandemic.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

21. Contingent liabilities

The Company has various contingent liabilities, as listed hereunder.

The SP Finance Bond Trust

The Company as guarantor is securing the obligations of the ultimate parent company of the Group, SP Finance plc in favour of the Security Trustee for the benefit of the Bondholders, and further guarantees the obligations of the SP Finance plc as Issuer of the Bond by constituting a guarantee whereby the Company, jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Bondholders the payment of, and undertakes to pay the indebtedness to, the Bondholders of any balance thereof at any time due or owing under the Secured Bonds. The Security Trustee holds as security immovably property owned by the Company. The first two payments of bond interest, amounting to €480,000 each, that were due in May 2020 and May 2021 were paid on their due date. The Issuer is obliged to pay bond interest annually, for the next eight years, until the date of redemption of the bond in May 2029.

Pebbles Resort Limited

The Company is securing the bank borrowings (amounting to €2,074,000) of Pebbles Resort Limited (a company within the same Group) by a special hypothec over immovable property, by a general hypothec over the Company's assets and by a guarantee.

Sea Pebbles Leisure Limited

The Company is securing the bank borrowings (amounting to €1,050,000) of Sea Pebbles Leisure Limited (a company owned and controlled by the same ultimate beneficial shareholders as Sea Pebbles Limited, but not forming part of the same Group) by a special hypothec over immovable property, by a general hypothec over the Company's assets and by a guarantee.

Med Asia Limited

The Company is securing the bank borrowings (amounting to €60,000) of Med Asia Limited (a company owned and controlled as to 66.7% by the same ultimate beneficial shareholders as Sea Pebbles Limited, but not forming part of the same Group) by a special hypothec over immovable property, by a general hypothec over the Company's assets and by a guarantee.

Sea Pebbles Catering Limited

The Company is securing the bank borrowings (amounting to €280,000) of Sea Pebbles Catering Limited (a company owned and controlled by the same ultimate beneficial shareholders as Sea Pebbles Limited, but not forming part of the same Group) by a special hypothec over immovable property, by a general hypothec over the Company's assets and by a guarantee.

Third party creditor

The Company is standing as surety against the debt of a third party for the value of €525,000 (originally €1,050,000), secured by immovable property owned by the company. This debt is repayable by the third party in five equal annual instalments of €105,000. This debt is also personally guaranteed by the directors of the company.

SEA PEBBLES LIMITED

Notes to the Financial Statements

for the year ended 31st December 2021

The directors consider the likelihood of the company being called upon to make good for the above listed contingent liabilities to be very remote.

22. Risk management objectives and policies

The entity is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The entity's risk management is coordinated by the directors and focuses on actively securing the entity's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the entity is exposed to are described below.

Credit risk

The entity's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 12, 13 and 14.

The company continuously monitors defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

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

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Liquidity risk

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the entity's obligations when they become due.

At 31st December 2021 and 31st December 2020, there were no contractual maturities on the financial liabilities of the entity. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Foreign currency risk

Most of the entity's transactions are carried out in Euro. Exposure to currency exchange rates arises from the entity's transactions in foreign currencies.

The entity's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

Interest rate risk

The entity's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the directors consider an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a movement is considered immaterial.

SEA PEBBLES LIMITED

Notes to the Financial Statements for the year ended 31st December 2021

23. Related party transactions

During the course of the year the Company entered into transactions with related parties. These transactions have been carried out at arm's length. The related party transactions in question were:

	2021	2020
	€	€
Other operating income		
<i>Commonly controlled entity</i>		
Rental income	-	22,500
<i>Commonly controlled entity</i>		
Purchase of immovable property	-	275,000
	<u>-</u>	<u>297,500</u>
Administrative expenses		
<i>Ultimate parent</i>		
Administration charge	56,520	56,520
Finance costs		
<i>Parent</i>		
Interest on loan	295,186	103,953
Dividends paid		
<i>Parent</i>		
Dividends paid	-	407,980
	<u>351,706</u>	<u>568,453</u>

24. Ultimate controlling party

The company is controlled by Mr Joseph Casha and Mrs Josephine Casha who own an aggregate of 100% of the issued share capital of the ultimate parent company of the group, SP Finance plc.

25. Consolidated financial statements

The company is fully owned by the ultimate parent of the Group, SP Finance plc. The ultimate parent is required to prepare consolidated financial statements.

SEA PEBBLES LIMITED

Detailed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2021

	2021		2020	
	€	€	€	€
Revenue		721,871		344,814
Cost of sales				
Direct costs	479,408		356,855	
		<u>(479,408)</u>		<u>(356,855)</u>
Gross profit/(loss)		242,463		(12,041)
Administrative expenses				
Management expenses	56,520		56,520	
Licences and permits	2,645		2,851	
Insurance	6,496		7,589	
Legal and professional	20,508		5,838	
Accountancy fees	6,570		4,650	
Audit fees	4,800		4,800	
Penalties	508		2,410	
Depreciation on property, plant and equipment	173,716		176,833	
Depreciation on right-of-use assets	3,408		3,408	
		<u>(275,171)</u>		<u>(264,899)</u>
		(32,708)		(276,940)
Other operating income				
Rental income from restaurants	27,552		42,188	
Service charge receivable	5,500		5,500	
		<u>33,052</u>		<u>47,688</u>
Operating profit/(loss)		344		(229,252)
Finance costs				
Interest on bank overdraft	6,088		5,115	
Interest on bank loan	2,280		235	
Related party loan interest	295,186		103,953	
Other interest payable	16,653		18,511	
Lease finance charges and hire purchase interest	1,099		1,300	
		<u>(321,306)</u>		<u>(129,114)</u>
Loss on ordinary activities before taxation		<u>(320,962)</u>		<u>(358,366)</u>

This page does not form part of the statutory financial statements.