

Company Registration No. C 41576

PHOENICIA MALTA LIMITED

Separate Financial Statements

31 December 2022

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

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PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

GENERAL INFORMATION

Company registration

Phoenicia 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

APS Bank plc
Tower Street
Birkirkara BKR 4012
MALTA

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
Msida, MSD 1751
MALTA

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Phoenicia Malta Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phoenicia Malta Limited (the “Company”), set on pages 6 to 31 which comprise the statement of financial position as at 31 December 2022, 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, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act 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 Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of 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 opinion.

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.

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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Phoenicia Malta Limited - continued

Responsibilities of the directors 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.
- 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 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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Phoenicia Malta Limited - continued

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.

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

24 April 2023

PHOENICIA MALTA LIMITED
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SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 EUR	2021 EUR
Rental income	4	2,467,211	2,478,391
Administrative expenses	5	<u>(277,966)</u>	<u>(56,771)</u>
Operating profit		2,189,245	2,421,620
Valuation gains from investment property	9	8,778,792	-
Finance income	6	118,745	-
Finance costs	7	<u>(2,042,157)</u>	<u>(1,891,805)</u>
Profit before tax		9,044,625	529,815
Income tax expense	8	<u>(1,124,822)</u>	<u>(42,950)</u>
Profit for the year		<u>7,919,803</u>	<u>486,865</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		<u>7,919,803</u>	<u>486,865</u>

The accounting policies and explanatory notes on pages 10 to 31 form an integral part of the financial statements.

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	2022 EUR	2021 EUR
ASSETS			
Non-current assets			
Investment property	9	95,526,540	85,913,390
Investment in subsidiary	10	250,000	250,000
Loan receivable	14	20,000,000	-
Other receivables	12	50,000	50,000
		<u>115,826,540</u>	<u>86,213,390</u>
Current assets			
Trade and other receivables	12	4,272,028	1,235,508
Loan receivable	14	118,745	-
Cash and Cash equivalents	17	482	672
		<u>4,391,255</u>	<u>1,236,180</u>
TOTAL ASSETS		<u>120,217,795</u>	<u>87,449,570</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	5,000	5,000
Other reserves	13	42,254,442	34,584,245
Retained earnings/(Accumulated losses)		41,323	(208,283)
Total equity		<u>42,300,765</u>	<u>34,380,962</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	67,854,890	43,287,013
Deferred tax liability	11	7,743,932	6,623,518
		<u>75,598,822</u>	<u>49,910,531</u>
Current liabilities			
Interest-bearing loans and borrowings	15	1,056,412	1,851,723
Trade and other payables	16	1,257,388	1,306,354
Income tax payable	8	4,408	-
		<u>2,318,208</u>	<u>3,158,077</u>
Total liabilities		<u>77,917,030</u>	<u>53,068,608</u>
TOTAL EQUITY AND LIABILITIES		<u>120,217,795</u>	<u>87,449,570</u>

The accounting policies and explanatory notes on pages 10 to 31 form an integral part of the financial statements.

The financial statements on pages 6 to 31 have been authorised for issue by the Board of Directors on 24 April 2023 and signed on its behalf by:


MARK SHAW
 Director


JEAN PIERRE ELLUL CASTALDI
 Director

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Issued capital EUR	Retained earnings EUR	Other reserves EUR	Total EUR
At 1 January 2022	5,000	(208,283)	34,584,245	34,380,962
Profit for the year	-	7,919,803	-	7,919,803
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	7,919,803	-	7,919,803
Transfer between reserves (note 9)		(7,670,197)	7,670,197	-
At 31 December 2022	5,000	41,323	42,254,442	42,300,765
At 1 January 2021	5,000	(695,148)	34,584,245	33,894,097
Profit for the year	-	486,865	-	486,865
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	486,865	-	486,865
At 31 December 2021	5,000	(208,283)	34,584,245	34,380,962

The accounting policies and explanatory notes on pages 10 to 31 form an integral part of the financial statements.

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

SEPARATE STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022 EUR	2021 EUR
Operating activities			
Profit before tax		9,044,625	529,815
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Non-cash:			
Finance income	6	(118,745)	-
Finance costs	7	2,042,157	1,891,805
Fair value movement	9	(8,778,792)	-
Working capital adjustments:			
(Decrease)/increase in trade and other payables		(48,455)	271,874
(Increase)/decrease in trade and other receivables		(42,217)	96,167
Net cash flows from operating activities		2,098,573	2,789,661
Investing activities			
Purchase of investment property	9	(834,358)	(407,300)
Loan advanced to related party	14	(20,000,000)	-
Net cash flows used in investing activities		(20,834,358)	(407,300)
Financing activities			
Proceeds from bank loans	22	44,424,145	-
Repayment of bank loans	22	(20,651,579)	(598,436)
Advances (to)/from related party		(2,994,814)	679,924
Interest paid		(2,042,157)	(2,464,539)
Net cash flows from/(used in) financing activities		18,735,595	(2,383,051)
Net decrease in cash and cash equivalents		(190)	(690)
Cash and cash equivalents at 1 January		672	1,362
Cash and cash equivalents at 31 December		482	672

The accounting policies and explanatory notes on pages 10 to 31 from an integral part of the financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial statements of the Phoenicia Malta Limited ('the Company') for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 24 April 2023. 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.

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 has been measured at fair value.

Going Concern

During the year ended 31 December 2022, the Company generated a profit before tax of EUR9,044,625 (2021: EUR529,815). As at 31 December 2022, its current assets exceeded current liabilities by EUR2,073,047 (2021: current liabilities exceeded current assets EUR1,921,897).

These financial statements have been prepared on a going concern basis. The Directors have made appropriate assessment of the going concern and determined that the Company has adequate resources to remain in operation for the foreseeable future, and to meet its liabilities when they fall due. The Directors have therefore continued to adopt the going concern basis of accounting in preparing these annual financial statements.

The Group, comprising of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company p.l.c., which provides cross intra-group guarantees and is managed as a combined entity, prepared projections for the upcoming 12 months and beyond, based on historical financial information, forecasts, as well as realistic assumptions to assess the financial position. Management has also taken into consideration the positive performance and positive outlook to date for the year ending 31 December 2023 and have assessed that targets are on track to be achieved. Management has also considered the current macro-economic effects that may impact the Group including inflation and increased interest rates. After having taken into consideration these stress testing scenarios, and considering other mitigations available to the Group, including uncommitted costs, working capital management and available financing, management has concluded that it has the necessary resources and liquidity requirements in place to meet all commitments.

NOTES TO THE SEPARATE 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 which have been adopted by the Company as of 1 January 2022:

- Amendments to IFRS 3: Business Combinations (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 16: Property, Plant and Equipment (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective for financial years beginning on or after 1 January 2022)
- Amendments to Annual Improvements 2018-2020 (effective for financial years beginning on or after 1 January 2022)

The adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Company.

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

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

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for financial years beginning on or after 1 January 2023)
- IFRS 17: Insurance Contracts, including Amendments to IFRS 17 (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for financial years beginning on or after 1 January 2023)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements. The Company will adopt the changes in standards, where applicable, on their effective date.

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

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for financial years beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for financial years beginning on or after 1 January 2024)
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting)

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 including the corresponding tax effect 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.

Financial instruments

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

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 SEPARATE 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 SEPARATE 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 Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

NOTES TO THE SEPARATE 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 SEPARATE FINANCIAL STATEMENTS - continued

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Leases - Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the period to which the lease payment relates and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Investment in subsidiary

Investment in subsidiary is stated at cost less any accumulated impairment losses.

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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If outflows are not probable or cannot be reliably estimated, the Company discloses any such amounts as contingent liabilities.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE SEPARATE 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'. The last valuation was performed in 2022 (note 9).

In the years where a valuation is not obtained, management verifies all major inputs used in the previous valuation report, by assessing the discount rate and the capitalisation rate against changes in discount and growth rates, as well as assessing the results achieved against the cash flow and earnings assumption used in the previous valuation. Based on these analyses management assesses whether any changes in inputs would lead to significant changes in value of the property. Conclusions reached by management are disclosed in note 9.

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). The amount of deferred tax is limited to the fair value adjustment and the remaining tax payable on sale, is assumed to be a transaction tax which is taken into account in determining the recoverable amount.

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 (1) year, renewable for further period of one (1) year each up to a maximum period of fifteen (15) years in 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.

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

4. RENTAL INCOME - continued

Following the outbreak of Covid-19 pandemic, the Company gave a rent concession amounting to EUR75,000 during the year ended 31 December 2022 (2021: EUR175,000). The Company accounted for the lease modification as a new lease from the date the concession was granted accounting for the income over the remaining lease term.

Rental income for the year is as follows:

	2022	2021
	EUR	EUR
Annual rent	2,500,000	2,500,000
Amortised portion of rent concession (note 12)	(32,789)	(21,609)
Rental income	<u>2,467,211</u>	<u>2,478,391</u>

5. ADMINISTRATIVE EXPENSES

The administrative expenses are shown by nature of expense below:

	2022	2021
	EUR	EUR
Auditor's remuneration	25,950	22,650
Legal fees	10,000	3,580
Other professional fees	239,861	29,035
Bank charges	1,340	691
Ground rent	815	815
Administrative expenses	<u>277,966</u>	<u>56,771</u>

There were no employees employed with the Company during the two years presented.

6. FINANCE INCOME

	2022	2021
	EUR	EUR
Interest income on loan to related party (note 14)	<u>118,745</u>	<u>-</u>

7. FINANCE COST

	2022	2021
	EUR	EUR
Interest payable on bank loans (note 15)	755,168	604,816
Interest payable on loan from subsidiary (note 15)	1,286,989	1,286,989
	<u>2,042,157</u>	<u>1,891,805</u>

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

8. INCOME TAX EXPENSE

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

	2022	2021
	EUR	EUR
Current tax expense	4,408	-
Deferred tax expense (note 11)	1,120,414	42,950
	<u>1,124,822</u>	<u>42,950</u>

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:

	2022	2021
	EUR	EUR
Profit before tax	9,044,625	529,815
Theoretical tax expense at 35%	3,165,619	185,435
Tax effect of		
- expenses not deductible for tax purposes	95,834	19,585
- maintenance allowance	(172,649)	(162,070)
- other rates: property tax (8% - see note 11)	(1,963,982)	-
Income tax expense	1,124,822	42,950

9. INVESTMENT PROPERTY

	Total
	EUR
At 1 January 2021	85,506,090
Additions	407,300
At 31 December 2021	85,913,390
Additions	834,358
Increase in fair value	8,778,792
At 31 December 2022	95,526,540

The loan facilities are secured by a general hypothec of EUR44.3 million (2021: EUR20.6 million) over the company's assets and a special hypothec of EUR44.3 million (2021: EUR20.6 million) over the Company's investment property. The loans are also secured by a general hypothecary guarantee of EUR44.3 million (2021: EUR20.6 million) given by a related party.

In 2022, an amount equivalent to the increase in fair value of EUR8,778,792, net of the deferred tax liability of EUR1,108,595, was transferred from retained earnings to other reserves.

The Company's investment property comprises a hotel building ('sites in operation') and its surrounding lands ('other sites').

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

9. INVESTMENT PROPERTY - continued

An income approach is adopted by management for the valuation of the investment property. The prior valuation of the property was determined by management as at 31 December 2020 as a result of the sudden operative disruptions and uncertainties caused by the Covid-19 pandemic. The fair value of the sites in operation was determined based on a multi-period projection and Discounted Cash Flow ('DCF') model, a valuation technique which considers the medium to long-term projections in order to reflect the impact of the Covid-19 pandemic. The value of the other sites was determined similar to the prior valuation based on the application of a market derived capitalisation rate to the annual earnings.

As at 31 December 2022, the valuation of the sites in operation was updated in the context of the improved results following the Covid-19 pandemic period.

The fair value of the sites in operation was determined by management based on a multi-period projection and Discounted Cash Flow ('DCF') model. The derived valuation was adjusted for assets amounting to EUR4 million which form an integral part of the property but recognised separately in the related hotel operating company, Phoenicia Hotel Company Limited.

In the current year, the fair value of the other sites was determined based on multi-period projection and Discounted Cash Flow model, similar to the sites in operation, which based on the information available is deemed to be more suitable.

Valuation process

The company engages internal personnel to determine the fair value of the investment property. At the date of the valuation, management:

- verifies all major inputs in the valuation
- assess property valuation movements when compared to the prior year valuation reports

In the years where a valuation is not obtained, management verifies all major inputs used in the previous valuation report, by assessing the discount rate and the capitalisation rate against changes in discount and growth rates, as well as assessing the results achieved against the cash flow and earnings assumption used in the previous valuation. Based on these analyses management assesses whether any changes in inputs would lead to significant changes in value of the property (note 3.3).

Sites in operation

In the valuation of the sites in operation, management considered a multi-year (2023-2031) DCF model, with a terminal value calculation, considering a long-term growth rate assumption. Similar to previous year's management's assessment, management continues to expect that the level of activity in 2023 will be ahead of pre- Covid-19 pandemic and also ahead of the level of activity achieved during 2022, which was already ahead of pre- Covid-19 pandemic level. The model also considers a discount rate of 10.25% and long-term growth rate of 2%.

The discount rate and the free cash flows from operations, have been determined to be significant unobservable inputs. The lower the discount rate, the higher the fair value. Conversely, the lower the cash flows, the lower the fair value. An analysis of the impact of a reasonable change in the significant unobservable inputs on the fair value of the property is included below:

	Change	Change in value EUR' million
Cash flows	+5% / -5%	4.2 / (4.2)
Discount rate	+2% / -2%	(10) / 12

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

9. INVESTMENT PROPERTY - continued

Other sites

Similarly to the sites in operation, the valuation of the other sites, considered a multi-year (2023-2031) DCF model, with a terminal value calculation, considering a long-term growth rate assumption. Management considered the planned development of such sites, and included costs to development within the cash flow projections, based on recent quotations obtained. The model also considers a discount rate of 13.35% and long-term growth rate of 2%.

An analysis of the impact of a reasonable change in the significant unobservable on the fair value of the property is included below:

	Changes	Change in value EUR' million
Increase in development costs	EUR2 million	(1.4)
Discount rate	+2% / -2%	(2.8) / 3.3

Fair value hierarchy

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.

10. INVESTMENT IN SUBSIDIARY

	2022	2021
	EUR	EUR
At 31 December	250,000	250,000

The subsidiary at 31 December 2022 is shown below:

	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2022	2021
Phoenicia Finance Company p.l.c.	Financing	The Phoenicia Hotel The Mall, Floriana	Ordinary	99.99%	99.99%

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

10. INVESTMENT IN SUBSIDIARY - continued

- (i) Phoenicia Finance Company p.l.c. (“PFC”) was incorporated by Phoenicia Malta Limited on 23 October 2018 to carry on the business of a finance company in connection with the ownership, development, operation and financing of hotels, resorts, leisure facilities, and tourism related activities.
- (ii) The financial statements of PFC are available to the public. The company has issued bonds that are traded on the Malta Stock Exchange.
- (iii) PFC has issued a loan to the Company, being its immediate parent company (note 15). PFC also holds a current account with the Company (note 16).

11. DEFERRED TAX LIABILITY

The movement in deferred tax liability is as follows:

	2022	2021
	EUR	EUR
Balance as at 1 January	6,623,518	6,580,568
Debited to the income statement	1,120,414	42,950
	<hr/>	<hr/>
Balance as at 31 December	7,743,932	6,623,518
	<hr/> <hr/>	<hr/> <hr/>
	2022	2021
	EUR	EUR
<i>Deferred tax liability is attributable to the following:</i>		
- Investment Property	7,642,122	6,533,528
- Other receivables	101,810	89,990
	<hr/>	<hr/>
Balance as at 31 December	7,743,932	6,623,518
	<hr/> <hr/>	<hr/> <hr/>

Deferred income taxes on investment property calculated on all temporary differences under the liability method. Temporary differences arise on the fair value of the property and are measured using a property tax rate of 8%.

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	EUR	EUR
<i>Non-current</i>		
Other receivables (i)	50,000	50,000
	<hr/>	<hr/>
	50,000	50,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Current</i>		
Amounts due from related parties (ii)	3,904,572	910,269
Prepayments	3,854	3,848
Other receivables (iii)	363,602	321,391
	<hr/>	<hr/>
	4,272,028	1,235,508
	<hr/> <hr/>	<hr/> <hr/>

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

12. TRADE AND OTHER RECEIVABLES - continued

- (i) Other non-current receivables include guarantee payments which will be 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 (note 19). These amounts are unsecured, non-interest bearing and with no fixed date for repayment.
- (iii) Other receivables refer to the unamortised portion of rent concession granted to the lessees and which is accounted for as deduction from rental income over the remaining lease term (note 4)

	2022	2021
	EUR	EUR
Balance as at 1 January	321,391	168,000
Rent concession granted during the year (note 4)	75,000	175,000
Amortisation of rent concession for the year (note 4)	(32,789)	(21,609)
	<hr/>	<hr/>
Balance as at 31 December	363,602	321,391
	<hr/> <hr/>	<hr/> <hr/>

13. ISSUED CAPITAL AND RESERVES

Issued Capital

	2022	2021
	EUR	EUR
Authorised:		
9,999 Ordinary shares 'A' of EUR1 each	9,999	9,999
1 Ordinary share 'B' of EUR1	1	1
	<hr/>	<hr/>
	10,000	10,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
4,999 Ordinary shares 'A' of EUR1 each	4,999	4,999
1 Ordinary share 'B' of EUR1	1	1
	<hr/>	<hr/>
	5,000	5,000
	<hr/> <hr/>	<hr/> <hr/>

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.

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Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

14. LOAN RECEIVABLE FROM RELATED PARTY

	2022	2021
	EUR	EUR
<i>Non-current</i>		
Loan to related party (i)	20,000,000	-
<i>Current</i>		
Loan to related party (i)	118,745	-
Total loan receivable from related party	20,118,745	-

- (i) The loan to related party (note 19) of EUR20,118,745 (2021: EUR nil) is unsecured and bears an interest of 2.4% per annum plus 3 months EURIBOR per annum. The loan is repayable in November 2042.

15. INTEREST-BEARING LOANS AND BORROWINGS

	2022	2021
	EUR	EUR
<i>Non-current</i>		
Bank loan (i)	43,340,816	18,772,939
Loan from subsidiary (ii)	24,514,074	24,514,074
	67,854,890	43,287,013
<i>Current</i>		
Bank loan (i)	999,996	1,795,307
Loan from subsidiary	56,416	56,416
	1,056,412	1,851,723
Total interest-bearing loans and borrowings	68,911,302	45,138,736

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

	2022	2021
	EUR	EUR
Between one and two years	25,424,141	1,795,307
Between two and five years	2,999,988	5,385,923
More than five years	39,430,761	36,105,783
	67,854,890	43,287,013

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

15. INTEREST-BEARING LOANS AND BORROWINGS - continued

The Company has the following facilities:

- (i) Bank loan facilities of EUR44,340,812 (2021: EUR20,568,246) bearing an average interest of 2.33% (2021: 2.90%) plus 3 months EURIBOR per annum (average for 2022: 1.791%), are secured by a general hypothec for EUR44.3 million (2021: EUR20.6 million) over all the assets of the Company. The facilities are also secured by a special hypothec of EUR44.3 million (2021: EUR20.6 million) on the Company's investment property. A general hypothecary guarantee of EUR44.3 million (2021: EUR20.6 million) was also given by a related company.

The bank loan facilities held as at 31 December 2021, were repaid in full in November 2022 by means of another bank loan facility obtained by the Company, to refinance existing loan facilities of the Group.

- (ii) A loan from subsidiary of EUR24,514,074 (2021: EUR24,514,074) is unsecured and bears an interest of 5.25% per annum payable annually in arrears. The loan is repayable on 30 November 2028.
- (iii) As at 31 December 2022, the Company had banking facilities amounting to EUR575,855 (2021: EUR nil) which were unutilized at year-end.
- (iv) There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current and prior year.

16. TRADE AND OTHER PAYABLES

	2022	2021
	EUR	EUR
Trade payables	27,765	19,387
VAT payable (i)	530,467	670,814
Amounts due to related parties (ii)	564,547	565,058
Accruals	134,609	51,095
	1,257,388	1,306,354

- (i) During the year ended 31 December 2020, the Government of Malta had issued a scheme in response of the Covid-19 pandemic for the deferral of indirect taxes and was further extended during the year ended 31 December 2021. The Company has obtained this deferral and the balances must be paid in full by December 2024. During this period, no interest will be incurred on deferred periods.
- (ii) Amounts due to related parties represent a current account which is used to manage cash between the Company and related parties. The amounts due to related parties are detailed in note 19. These amounts are unsecured, non-interest bearing and with no fixed date for repayment.

17. CASH AND CASH EQUIVALENTS

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

	2022	2021
	EUR	EUR
Cash at bank	482	672

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

18. PARENT AND ULTIMATE CONTROLLING PARTY

The immediate parent company is Phoenicia Hotel (Lux) S.a.r.l. registered in Luxembourg. The ultimate parent Company is Phoenicia Holding Lux S.a.r.l. registered in Luxembourg and the ultimate controlling party is Mark Shaw, a British national residing in Edinburgh, Scotland.

19. 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 forms part of a group together with other entities, namely Phoenicia Hotel Company Limited and Phoenicia Finance Company p.l.c., together referred to as “the Group”.

The Company has undertaken the following transactions with related parties:

		Interest Income/ (expense)	Rental income	Net amounts from/(to) related party	Loan (payable to)/ receivable from related party
Phoenicia Hotel Company Limited	2022	-	2,425,000	3,904,572	-
	2021	-	2,325,000	910,269	-
Phoenicia Finance Company p.l.c	2022	(1,286,989)		(564,547)	(24,570,490)
	2021	(1,286,989)	-	(565,058)	(24,570,490)
Phoenicia Holding Lux S.A.R.L.	2022	118,745		-	20,118,745
	2021	-	-	-	-

As disclosed in note 9 and note 15, the loans are also secured by a guarantee provided by a Phoenicia Hotel Company Limited. Moreover, the Company has provided guarantees amounting to EUR750,000 (2021: EUR809,301) to the same related party, Phoenicia Hotel Company Limited.

20. 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.

Based on expert technical advice received, the Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements. Furthermore, the related company has a number of claims against the contractor relating to delays and defects, amongst others.

Should amounts, if any, become payable, these will be partly recharged to the company.

The related company continues to monitor the development with the guidance of its external legal counsel.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

21. COMMITMENTS

As at 31 December 2022, the Company had no significant capital commitments.

As disclosed in note 9 and note 15, the Company has also provided the bank with guarantees over the assets of the Company.

22. FINANCIAL RISK MANAGEMENT

The Company's principal financial assets comprise of loan receivables, trade and 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 trade and other receivables, cash and short-term deposits and loan receivable from related party.

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 12) and loan receivable from related party (note 14), 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 are represented by the carrying amount of each financial assets as disclosed in note 12, 14 and note 17.

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 related parties as disclosed in note 16 to be settled within one year.

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT – continued

Liquidity risk - continued

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 2022					
Interest-bearing loans and borrowings (note 15)	68,911,302	88,910,665	4,391,521	38,002,398	46,516,746
Trade and other payables (note 16)	1,257,388	1,257,388	1,257,388	-	-
	70,168,690	90,168,053	5,648,909	38,002,398	46,516,746
31 December 2021					
Interest-bearing loans and borrowings (note 15)	45,138,736	57,424,573	3,637,510	14,046,407	39,740,656
Trade and other payables (note 16)	1,306,354	1,306,354	1,306,354	-	-
	46,445,090	58,730,927	4,943,864	14,046,407	39,740,656

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk relates primarily to the borrowings disclosed in note 15. The company manages the interest rate risk by having a balanced portfolio of fixed and variable rate loans. As at 31 December 2022, approximately 33% of the borrowings had a fixed 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
2022	+100	(341)
	-50	153
2021	+100	(200)
	-50	118

PHOENICIA MALTA LIMITED
Separate Financial Statements for the year ended 31 December 2022

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

22. FINANCIAL RISK MANAGEMENT - continued

Changes in liabilities arising from financing activities

	1 January 2022 EUR	Cash flows EUR	Interest paid EUR	Interest expense EUR	31 December 2022 EUR
Bank loans and other loans	20,568,246	23,772,566	(755,168)	755,168	44,340,812
Loan from subsidiary	24,570,490	-	(1,286,989)	1,286,989	24,570,490

	1 January 2021 EUR	Cash flows EUR	Accrued interest EUR	Other changes EUR	31 December 2021 EUR
Bank loans and other loans	21,918,905	(598,436)	(752,223)	-	20,568,246
Loan from subsidiary	24,570,336	-	179,489	(179,335)	24,570,490

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 2022 and 31 December 2021.

23. FAIR VALUE MEASUREMENT

IFRS 13 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 2022 and 2021, 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS - continued

23. FAIR VALUE MEASUREMENT - continued

The fair value of the loan from subsidiary, disclosed within note 15 *non-current interest-bearing loans and borrowings* is estimated at 10% below the carrying amount (2021: equal to the carrying amount) in line with the quoted price of the bond issued by a related company (level 2). As at 31 December 2022, the fair value was estimated at EUR22.1 million (2021: EUR24.5 million) when compared to the carrying amount of EUR24.5 million (2021: EUR24.5 million).

24. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period which require disclosure in these financial statements.