

PHOENICIA HOTEL COMPANY LIMITED

Annual Report and Financial Statements

31 December 2024

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

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PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

GENERAL INFORMATION

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

Directors

Mr. Jean Pierre Ellul Castaldi
Mr. Mark Shaw

Company Secretary

Mr. Jean Pierre Ellul Castaldi

Bankers

APS Bank plc
Tower Street
Birkirkara BKR 4012
MALTA

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

Solicitors

Zammit Pace Advocates
35, St. Barbara Bastions
Valletta VLT 1961
MALTA

Registered Office

2 New Bailey
6 Stanley Street, Salford
Greater Manchester, M3 5GS
UNITED KINGDOM

Auditors

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida, MSD 1751
MALTA

PHOENICIA HOTEL COMPANY LIMITED

Annual Financial Statements for the year ended 31 December 2024

DIRECTORS' REPORT

The Directors of the Company present their annual report and financial statements for the year ended 31 December 2024.

Company incorporation

Phoenicia Hotel Company Limited ("the Company") is registered in United Kingdom as a private company limited by shares since 10 October 1935 with registration number 00305858. Its registered office is 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester M3 5GS, United Kingdom. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1 since 21 April 1965. The Company's principal activity is the operation of The Phoenicia Hotel in Malta.

Principal activity

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

Principal risks and uncertainties

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

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

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

The Company actively manages its liquidity risk by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 2.1 – Going concern).

Review of the business

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

	2024	2023	Change
	EUR	EUR	%
Revenue	23,621,047	19,158,385	23%
Profit before tax for the year	2,006,881	1,161,209	73%
Total equity	4,246,313	3,375,549	26%

DIRECTORS' REPORT – continued

Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Refer to note 18 in these financial statements.

Results and dividends

The results for the year are set out in the statement of comprehensive income on page 9. The Directors do not recommend the payment of a dividend.

Directors

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

Statement of Directors' responsibilities

The Companies Act (Cap. 386) requires the Directors to prepare financial statements in accordance with generally accepted accounting principles as defined in the same Act, and in accordance with the provision of such Act, for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss for that period. In preparing the financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining 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. The Directors 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.

In view of the above information, we declare that to the best of our knowledge, the financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that this report includes a fair review of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

DIRECTORS' REPORT – continued

Going concern statement

During the year ended 31 December 2024, the Company generated a profit before tax of EUR 2,006,881 (2023: EUR 1,161,209), reflecting a significant improvement in financial performance. As at 31 December 2024, the Company's current liabilities exceeded its current assets by EUR 4,777,103 (2023: EUR 7,358,468), demonstrating a notable reduction in the working capital deficit.

These financial statements have been prepared on a going concern basis. The Directors have carried out an assessment and concluded that the Company has adequate resources to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. Accordingly, the Directors have adopted the going concern basis in preparing these annual financial statements.

The Group, comprising Phoenicia Hotel Company Limited, Phoenicia Malta Limited, and Phoenicia Finance Company p.l.c., operates as a combined entity with intra-group financial support through cross-guarantees. Management has prepared financial projections for the next 12 months and beyond, incorporating historical performance, current forecasts, and reasonable assumptions to assess the Group's financial position.

In reaching their conclusion, Management has considered:

- The Group's continued positive financial performance and outlook for 2025, with targets currently on track.
- The impact of macroeconomic factors such as inflation and interest rate movements.
- Stress-tested scenarios to evaluate the Group's ability to withstand adverse conditions.

Based on these assessments, the Directors are satisfied that the Group remains a going concern, and the financial statements have been prepared on this basis.

Other matter

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel. The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements (note 22).

Events after the reporting period

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

Auditors

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

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



MARK SHAW
Director



JEAN PIERRE ELLUL CASTALDI
Director

24 April 2025

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Phoenicia Hotel Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Phoenicia Hotel Company Limited (the "Company"), set on pages 9 to 34 which comprise the statement of financial position as at 31 December 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, 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). 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 other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Phoenicia Hotel Company 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 Hotel Company Limited - continued

Report on other legal and regulatory requirements

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

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company 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. We have nothing to report in this regard.

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
Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

24 April 2025

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2024

	Notes	2024 EUR	2023 EUR
Revenue	4	23,621,047	19,158,385
Cost of sales	5	(13,214,655)	(11,897,536)
Gross profit		10,406,392	7,260,849
Administrative expenses	5	(6,236,312)	(3,998,211)
Selling and marketing expenses	5	(933,319)	(761,718)
Operating profit		3,236,761	2,500,920
Finance costs	7	(1,229,880)	(1,339,711)
Profit before tax		2,006,881	1,161,209
Income tax expense	8	(1,136,117)	(158,921)
Profit for the year		870,764	1,002,288
Other comprehensive income for the year		-	-
Total comprehensive income for the year, net of tax		870,764	1,002,288

The accounting policies and explanatory notes on pages 13 to 34 form an integral part of the financial statements.

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

STATEMENT OF FINANCIAL POSITION
as at 31 December 2024

	Notes	2024 EUR	2023 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,718,190	4,107,109
Right-of-use assets	10	18,175,993	20,447,993
Deferred tax asset	11	5,622,187	6,758,304
Total non-current assets		27,516,370	31,313,406
Current assets			
Inventories	12	365,553	374,747
Trade and other receivables	13	2,006,528	852,144
Cash and cash equivalents	14	795,269	641,737
Total current assets		3,167,350	1,868,628
TOTAL ASSETS		30,683,720	33,182,034
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	413,595	413,595
Other reserve	15	433,365	433,365
Retained earnings	15	3,399,353	2,528,589
Total equity		4,246,313	3,375,549
Non-current liabilities			
Lease liabilities	10	18,492,954	20,579,389
Total non-current liabilities		18,492,954	20,579,389
Current liabilities			
Trade and other payables	16	5,858,018	7,256,976
Lease liabilities	10	2,086,435	1,970,120
Total current liabilities		7,944,453	9,227,096
Total liabilities		26,437,407	29,806,485
TOTAL EQUITY AND LIABILITIES		30,683,720	33,182,034

The accounting policies and explanatory notes on pages 13 to 34 form an integral part of the financial statements.

The financial statements on pages 9 to 34 have been authorised for issue by the Board of Directors on 24 April 2025 and signed on its behalf by:



MARK SHAW
Director



JEAN PIERRE ELLUL CASTALDI
Director

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2024

	Issued Capital EUR	Deferred Shares EUR	Other Reserve EUR	Retained earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 December 2024					
At 1 January 2024	413,595	-	433,365	2,528,589	3,375,549
Profit for the year		-		870,764	870,764
Total comprehensive income		-		870,764	870,764
At 31 December 2024	413,595	-	433,365	3,399,353	4,246,313
FINANCIAL YEAR ENDED 31 December 2023					
At 1 January 2023	8,386	838,574	-	1,526,301	2,373,261
Profit for the year	-	-	-	1,002,288	1,002,288
Total comprehensive income	-	-	-	1,002,288	1,002,288
Other movements (note 15)	405,209	(838,574)	433,365	-	-
At 31 December 2023	413,595	-	433,365	2,528,589	3,375,549

The accounting policies and explanatory notes on pages 13 to 34 form an integral part of the financial statements.

PHOENICIA HOTEL COMPANY LIMITED
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STATEMENT OF CASH FLOWS
for the year ended 31 December 2024

	Notes	2024 EUR	2023 EUR
Operating activities			
Profit before tax		2,006,881	1,161,209
<i>Non-cash adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of property, plant and equipment	9	894,009	936,001
Depreciation of right of use assets	10	2,272,000	2,272,000
Interest expense	7	1,229,880	1,339,711
<i>Working capital adjustments:</i>			
Increase in trade and other receivables		(249,108)	(56,232)
(Decrease)/increase in inventory		9,194	(136,387)
Increase in trade and other payables		443,542	491,561
Net cash flows from operating activities		6,606,398	6,007,863
Investing activities			
Purchase of property, plant and equipment	9	(505,090)	(1,048,050)
Advances to related parties	13/16	(2,747,776)	(2,028,714)
Net cash flows used in investing activities		(3,252,866)	(3,076,764)
Financing activities			
Payment of interest portion of lease liabilities	10	(1,229,880)	(1,339,711)
Payment of principal portion of lease liabilities	10	(1,970,120)	(1,860,289)
Net cash flows used in financing activities		(3,200,000)	(3,200,000)
Net movement in cash and cash equivalents		153,532	(268,901)
Cash and cash equivalents at 1 January		641,737	910,638
Cash and cash equivalents at 31 December	14	795,269	641,737

The accounting policies and explanatory notes on pages 13 to 34 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Phoenicia Hotel Company Limited (“the Company”) is registered in United Kingdom as a private company limited by shares. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1. The Company’s registered office is 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester, M3 5GS, United Kingdom. The Company’s principal activity is the operation of The Phoenicia Hotel in Malta.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 Company has prepared its financial statements in line with the general rule set out in article 387 of the Companies Act, Cap. 386 of the Laws of Malta which provides that an overseas company is to prepare its accounts in such form and manner as would be required of a company formed and registered in Malta.

The financial statements are presented in Euro (EUR), which represents the functional and presentation currency of the Company and all values are rounded to the nearest Euro, except when otherwise indicated. These financial statements are prepared under the historical cost convention.

Going concern

During the year ended 31 December 2024, the Company generated a profit before tax of EUR2,006,881 (2023: EUR 1,161,209), reflecting a significant improvement in financial performance. As at 31 December 2024, the Company’s current liabilities exceeded its current assets by EUR4,777,103 (2023: EUR7,358,468), demonstrating a notable reduction in the working capital deficit.

These financial statements have been prepared on a going concern basis. The Directors have carried out an assessment and concluded that the Company has adequate resources to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. Accordingly, the Directors have adopted the going concern basis in preparing these annual financial statements.

The Group, comprising Phoenicia Hotel Company Limited, Phoenicia Malta Limited, and Phoenicia Finance Company p.l.c., operates as a combined entity with intra-group financial support through cross-guarantees. Management has prepared financial projections for the next 12 months and beyond, incorporating historical performance, current forecasts, and reasonable assumptions to assess the Group’s financial position.

In reaching their conclusion, Management has considered:

- The Group’s continued positive financial performance and outlook for 2025, with targets currently on track.
- The impact of macroeconomic factors such as inflation and interest rate movements.
- Stress-tested scenarios to evaluate the Group’s ability to withstand adverse conditions.

Based on these assessments, the Directors are satisfied that the Group remains a going concern, and the financial statements have been prepared on this basis.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year which have been adopted by the Company as of 1 January 2024:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for financial years beginning on or after 1 January 2024)
- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (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)

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 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for financial years beginning on or after 1 January 2025)

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

- Annual Improvements Volume 11 (effective for financial years beginning on or after 1 January 2026)
- Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments (effective for financial years beginning on or after 1 January 2026)
- Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity (effective for financial years beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for financial years beginning on or after 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for financial years beginning on or after 1 January 2027)

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. MATERIAL ACCOUNTING POLICIES

Revenue

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

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

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

Contract balances

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

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

Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. MATERIAL ACCOUNTING POLICIES - continued

Property, plant and equipment

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

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

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

The depreciation method applied and the useful life, are reviewed, and adjusted, if appropriate, at the end of each reporting year. There were no changes in the depreciation method applied or the useful life during 2024. Depreciation of an asset ceases when the asset is either classified as held for sale or derecognised. Assets in the course of construction are not depreciated.

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

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

Inventories

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

Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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. 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, 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 of 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. Interest income is recognised in statement of profit or loss.

Derecognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

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

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

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

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, net of directly attributable transaction costs and payables.

Loans and borrowings

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

Derecognition

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

Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of non-financial assets

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Hotel Property	15 years
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If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Leases - continued

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are detailed in Note 10.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Cash and cash equivalents

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

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.

Trade and other payables

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

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 FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that there will be taxable profit against which a deductible temporary difference can be used, unless the deferred tax asset arises from the initial recognition of an asset or liability that is not from a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred 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 FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Grants

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

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

3.1. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In the opinion of the management, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements', except as disclosed below.

Deferred tax assets

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

Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. In exercising its judgement management has taken into account budgets and the ability to carry forward losses for offset indefinitely. Refer to note 11.

Right-of-use assets

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable at the option of the lessee for further period of one year each up to a maximum period of fifteen (15) years in the aggregate.

In light of the aforementioned option to extend, management uses its judgement to determine whether or not this option to extend would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and future developments to determine the lease term.

In its assessment, management determined that the option to extend will be honoured up to the maximum term i.e. by 2032.

PHOENICIA HOTEL COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued

4. REVENUE

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

	2024	2023
	EUR	EUR
<i>Services transferred over time</i>		
Accommodation	15,518,730	12,738,781
<i>Services/goods transferred at a point in time</i>		
Catering	6,995,899	5,490,635
Other	1,106,418	928,969
Revenue from contracts with customers	23,621,047	19,158,385

5. EXPENSES BY NATURE

	2024	2023
	EUR	EUR
Staff costs (note 6)	5,475,885	4,638,932
Depreciation on owned assets (note 9)	894,009	936,001
Depreciation on right of use assets (note 10)	2,272,000	2,272,000
Auditors remuneration	54,000	35,000
Professional, legal, and consulting fees	3,913,918	2,023,706
Other expenses	7,774,474	6,751,826
Total cost of sales, administrative, selling and marketing expenses	20,384,286	16,657,465

6. STAFF COSTS

	2024	2023
	EUR	EUR
Directors' remuneration	262,961	284,704
Social security costs	2,320	2,575
	265,281	287,279

The total employment costs were as follows:

	2024	2023
	EUR	EUR
Wages and salaries	5,117,835	4,299,959
Social security costs	358,050	338,973
	5,475,885	4,638,932

PHOENICIA HOTEL COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued

6. STAFF COSTS - continued

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

	2024	2023
	Number	Number
Guest service	139	123
Administrative	39	39
	178	162

7. FINANCE COSTS

	2024	2023
	EUR	EUR
Interest on lease liabilities (note 10)	1,229,880	1,339,711
	1,229,880	1,339,711

8. INCOME TAX EXPENSE

The tax for the year is made up as follows:

	2024	2023
	EUR	EUR
Current tax	-	-
Deferred tax (note 11)	1,136,117	158,921
Income tax expense	1,136,117	158,921

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

	2024	2023
	EUR	EUR
Profit before tax	2,006,881	1,161,209
Theoretical tax at the applicable 35% rate	702,408	406,423
<i>Tax effect of:</i>		
- allowances on leased hotel property	(647,071)	(645,608)
- expenses not deductible for tax purposes and other differences	1,080,780	398,106
Income tax expense	1,136,117	158,921

PHOENICIA HOTEL COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued

9. PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment EUR	Crockery, utensils and linen EUR	Assets under construction EUR	Total EUR
Cost				
At 1 January 2023	15,861,082	589,021	92,065	16,542,168
Additions	958,891	89,159	-	1,048,050
Transfers	92,065	-	(92,065)	-
At 31 December 2023	16,912,038	678,180	-	17,590,218
At 1 January 2024	16,912,038	678,180	-	17,590,218
Additions	462,048	18,521	24,521	505,090
Disposals	(646,740)	(69,901)	-	(716,641)
At 31 December 2024	16,727,346	626,800	24,521	17,378,667
Accumulated depreciation				
At 1 January 2023	11,979,694	567,414	-	12,547,108
Depreciation for the year	914,563	21,438	-	936,001
At 31 December 2023	12,894,257	588,852	-	13,483,109
At 1 January 2024	12,894,257	588,852	-	13,483,109
Depreciation for the year	873,960	20,049	-	894,009
Depreciation released on disposal	(646,740)	(69,901)	-	(716,641)
At 31 December 2024	13,121,477	539,000	-	13,660,477
Net book value				
At 31 December 2024	3,605,869	87,800	24,521	3,718,190
At 31 December 2023	4,017,781	89,328	-	4,107,109

As disclosed in note 16, at 31 December, the company had payables for capital expenditure amounting to EUR1,171,223 (2023: EUR1,171,223).

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

NOTES TO THE FINANCIAL STATEMENTS - continued

10. LEASES

Company as a lessee

In 2018, the company entered into a new lease agreement with a related company for the rental of the hotel land and building for a period of one year, renewable for further period of one year each up to a maximum period of fifteen years in the aggregate. In terms of the lease agreement, the Company pays annual rent of EUR2,500,000 revisable every three years assuming a complete development of the hotel. Management assessed that the rental agreement will be renewed up to its maximum period and a discount rate of 4.5% was determined to be the incremental borrowing rate.

Effective from 1 January 2023, an addendum to the original agreement was entered into, whereby the annual rent has been revised to EUR3,200,000. Following the increase in annual rent, the company has remeasured its lease liability, up to its maximum period (remaining contract period), and using a revised incremental borrowing rate of 5.75%.

The carrying amounts of right-of-use assets recognised and the movements during the year are as follows:

	2024	2023
	EUR	EUR
Hotel land and building		
As at 1 January	20,447,993	18,487,520
Impact of lease modification	-	4,232,473
Depreciation on right of use assets (note 5)	(2,272,000)	(2,272,000)
As at 31 December	18,175,993	20,447,993

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2024	2023
	EUR	EUR
As at 1 January	22,549,509	20,177,325
Impact of lease modification	-	4,232,473
Accretion of interest (note 7)	1,229,880	1,339,711
Payments	(3,200,000)	(3,200,000)
As at 31 December	20,579,389	22,549,509
Disclosed as follows:		
Current liabilities	2,086,435	1,970,120
Non-current liabilities	18,492,954	20,579,389
As at 31 December	20,579,389	22,549,509

PHOENICIA HOTEL COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued

10. LEASES - continued

The non-current lease liabilities are analysed as follows:

	2024	2023
	EUR	EUR
Between one and two years	2,209,618	2,086,435
Between two and five years	7,442,850	7,027,923
More than five years	8,840,486	11,465,031
	<u>18,492,954</u>	<u>20,579,389</u>

11. DEFERRED TAX ASSET

The movement in deferred tax asset is as follows:

	2024	2023
	EUR	EUR
Balance as at 1 January	6,758,304	6,917,225
Charged to profit or loss (note 8)	(1,136,117)	(158,921)
Balance as at 31 December	<u>5,622,187</u>	<u>6,758,304</u>

Deferred income tax at 31 December relates to the following:

	2024	2023
	EUR	EUR
<i>Deferred income tax asset is attributable to the following:</i>		
- unutilized tax losses and capital allowances	4,702,580	5,882,387
- excess of capital allowances over depreciation	64,600	126,568
- allowances for impairment	13,819	13,819
- leases under IFRS 16	841,188	735,530
	<u>5,622,187</u>	<u>6,758,304</u>

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

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

NOTES TO THE FINANCIAL STATEMENTS – continued

12. INVENTORIES

	2024	2023
	EUR	EUR
Catering and bar supplies	200,517	187,770
Hotel consumables	165,036	186,977
	365,553	374,747

13. TRADE AND OTHER RECEIVABLES

	2024	2023
	EUR	EUR
Trade receivables (i)	677,491	454,970
Amounts due from related party (ii)	848,609	59,559
Amounts due from parent company (ii)	238,534	122,308
Prepayments	175,516	156,669
Other receivables	66,378	58,638
	2,006,528	852,144

- (i) Trade receivables are presented net of expected credit losses (“ECL”) of EUR39,482 (2023: EUR39,482). No amount from the lifetime ECL provision was debited to profit or loss during the year (2023: EUR2,286). No interest is charged on trade and other receivables. As at 31 December, the ageing analysis of trade receivables is as follows:

		Neither past due nor impaired			Past due but not Impaired
	Total EUR	0-30 days EUR	30-60 days EUR	61-90 days EUR	Impaired EUR
2024	677,491	546,714	87,228	43,549	-
2023	454,970	375,836	70,902	8,232	-

- (ii) The amounts due from related party and parent company are detailed in note 20. These amounts are unsecured, non-interest bearing and with no fixed date for repayment.

14. CASH AND CASH EQUIVALENTS

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

	2024	2023
	EUR	EUR
Cash at bank and in hand	795,269	641,737

The Company has an overdraft facility of EUR750,000 (2023: EUR750,000) for working capital requirements, which is secured by a general hypothec of EUR750,000 (2023: EUR750,000) over the assets of the company and a special hypothecary guarantee of EUR750,000 (2023: EUR750,000) given by a related company over its property (note 20).

PHOENICIA HOTEL COMPANY LIMITED
Annual Financial Statements for the year ended 31 December 2024

NOTES TO THE FINANCIAL STATEMENTS – continued

15. ISSUED CAPITAL AND RESERVES

	2024	2023
	EUR	EUR
Authorised:		
1,456,000 ordinary shares of EUR 0.284375	414,050	414,050
	<u> </u>	<u> </u>
Issued and fully paid up:		
1,454,400 ordinary shares of EUR 0.284375	413,595	413,595
	<u> </u>	<u> </u>

Other reserve

As at 31 December 2022, the authorised, issued and fully paid-up deferred shares of EUR838,574 were made up of 1,440,000 deferred shares of GBP 0.25 each. During April 2023, the Company has redesignated the deferred shares as ordinary shares. This resulted in an increase in issued ordinary share capital by 1,440,000 ordinary shares.

Following the redesignation of deferred share as ordinary shares, the Company redenominated all ordinary shares from GBP 0.25 each to EUR 0.284375 each, fully paid using an exchange rate of EUR1.1375 to GBP1, resulting in an exchange difference of EUR433,365 shown as Other reserve.

Retained earnings

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

16. TRADE AND OTHER PAYABLES

	2024	2023
	EUR	EUR
Trade payables	1,821,035	2,036,402
Amounts due to related parties (i)	-	1,842,500
Accruals	1,492,653	1,149,062
Contract liabilities (ii)	818,350	633,491
Indirect taxes including social security	398,203	302,442
Payables for capital expenditure (iv)	1,171,223	1,171,223
Other payables	156,554	121,856
	<u> </u>	<u> </u>
Total current trade and other payables	5,858,018	7,256,976
	<u> </u>	<u> </u>

- (i) Amounts due to related parties relate to balances arising from account which is used to manage cash between the Company and related parties. The amounts due to related parties are explained in note 20. These amounts are unsecured, non-interest bearing and with no fixed date for repayment.
- (ii) Contract liabilities represent advances from customers. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR570,809 (2023: EUR319,368). Amounts are expected to be recognised in revenue during the year ending 31 December 2025.

NOTES TO THE FINANCIAL STATEMENTS – continued

16. TRADE AND OTHER PAYABLES - continued

- (iii) Payables for capital expenditure represents a retention amount arising from the recent development of Phoenicia Hotel. These amounts will remain as payable as a result of a disagreement with the main contractor, as disclosed in Note 22.

17. FINANCIAL COMMITMENTS

As disclosed in note 14, the Company has also provided the bank with guarantees over the assets of the Company.

The Company also provides a first general hypothecary guarantee of EUR17.9 million (2023: EUR43.3 million) in favour of a related party (note 20).

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

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

The Company's cash at bank are placed with quality financial institutions. Carrying amounts for trade and other receivables are stated net of the necessary provisions which have been made against bad and doubtful debts in respect of which the Directors reasonably believe that recoverability is doubtful (note 13 and note 14).

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 exposure to credit risk is represented by the carrying amount of each financial assets as disclosed in note 13 and note 14.

Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk

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

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

The Company actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Company and unutilised banking facilities (Note 2.1 – Going concern).

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

	Carrying amount EUR	Undiscounted contractual cash flows EUR	Within 1 year EUR	1 to 5 years EUR	Over 5 years EUR
31 December 2024					
Interest-bearing loans and borrowings					
Lease liabilities	20,579,389	25,600,000	3,200,000	12,800,000	9,600,000
Trade and other payables	5,858,018	5,858,018	5,858,018	-	-
	<u>26,437,407</u>	<u>31,458,018</u>	<u>9,058,018</u>	<u>12,800,000</u>	<u>9,600,000</u>
31 December 2023					
Interest-bearing loans and borrowings					
Lease liabilities	22,549,509	28,800,000	3,200,000	12,800,000	12,800,000
Trade and other payables	7,256,976	7,256,976	7,256,976	-	-
	<u>29,806,485</u>	<u>36,056,976</u>	<u>10,456,976</u>	<u>12,800,000</u>	<u>12,800,000</u>

PHOENICIA HOTEL COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - continued

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Changes in liabilities arising from financing activities

	1 January 2024 EUR	Cash flows EUR	Rent expense EUR	Accrued interest EUR	31 December 2024 EUR
Amounts due to related parties	1,842,500	(5,042,500)	3,200,000	-	-

	1 January 2023 EUR	Cash flows EUR	Rent expense EUR	Accrued interest EUR	31 December 2023 EUR
Amounts due to related parties	3,904,572	(5,262,072)	3,200,000	-	1,842,500

Capital management

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

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

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

19. 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 2024 and 2023 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables approximated their fair values in view of the nature of the instruments or their short-term maturity (Level 2).

NOTES TO THE FINANCIAL STATEMENTS - continued

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Related parties		Purchases from related Party	Amounts (owed to)/due from related party
Phoenicia Malta Limited	2024	3,200,000	836,315
	2023	3,200,000	(1,842,500)
Phoenicia Finance Company p.l.c.	2024	-	12,294
	2023	-	59,559
Phoenicia Holding Lux S.à r.l.	2024	-	238,534
	2023	-	122,308
Hazledene Group Limited	2024	959,794	(68,218)
	2023	770,209	-

Phoenicia Malta Limited

The Company has a lease agreement with Phoenicia Malta Limited, which is a wholly owned subsidiary of the immediate parent of Phoenicia Hotel Company Limited for the rental of the hotel. The loans of the related party are secured by a special hypothecary guarantee of EUR17.9 million (2023: EUR43.3 million) given by the Company. As disclosed in note 14, the related party has also provided guarantees amounting to EUR750,000 (2023: EUR750,000) to secure the Company's bank facilities.

Phoenicia Finance Company p.l.c.

The company has a balance with Phoenicia Finance Company p.l.c., a fully owned subsidiary of Phoenicia Malta Limited, for expenses paid by the Company on behalf of the related company.

Hazledene Group Limited

Hazledene Group Limited is an entity in which the ultimate controlling party of the Company has an interest. The Company has a management agreement with Hazledene Group Limited, covering operational management, financial oversight, procurement, marketing, and support for capital projects and business development. Services are provided in accordance with the terms of the agreement. Amounts due to Hazledene Group Limited are interest free and are payable on demand.

Phoenicia Holding Lux S.à r.l.

The company has a balance with Phoenicia Holding Lux S.à r.l., the parent Company of the Company and the Group, for expenses paid by the Company on behalf of the related company

Key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS - continued

21. PARENT AND ULTIMATE PARENT COMPANY

The 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.

22. CONTINGENT LIABILITIES

The Company is in disagreement with the main contractor of the recent development of Phoenicia Hotel regarding certain differences between applications for payment and claims 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 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 a related company owning the property.

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

23. EVENTS AFTER THE REPORTING PERIOD

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