Date of Announcement: 7 October 2024

Reference: 8/2024

HH Finance plc
2, St George's Court A,
St Augustine Street,
St Julian's,
Malta

The following is a company announcement issued by HH Finance plc (the "Company"), bearing company registration number C-84461, pursuant to the Prospects MTF Rules.

PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

QUOTE

The Company announces that it has today published on its website (https://www.hhfinance.com.mt/investor-relations/) the consolidated financial statements of the Lifetime Limited group of companies for the year 2022, which consolidates and includes the financials of the company (HH Operating Limited) within that group of companies that leases the investment property owned by the Company - which lease represents the most relevant of the Company's revenues at this time.

These financial statements are also attached to this announcement for ease of reference.

UNQUOTE

By order of the Board.

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Dr Emma Grech
Company Secretary

7 October 2024

LIFETIME LIMITED

Reg. No.: C 19952

Annual report and financial statements

For the year ended 31 December 2022

Director's report

The director presents his report and the audited financial statements of the Company and the Group, of which Lifetime Limited (the "Company") is the parent. The financial statements are for the year ended 31 December 2022.

Principal activities

The principal activity of the Group, of which the Company is the parent, consists of operating various catering establishments, leasing and renting of bars in Paceville, running of two hotels and dealing in property. The Company also acts as the procurement company for the Group.

Review of business

The results for the financial position of the Company as at 31 December 2022 are disclosed on page 9 while the financial results for the year under review are disclosed on page 11.

Retained earnings carried forward at the end of the financial reporting period for the Group and the Company amounted to €28,157,611 (2021: €26,915,389) and €17,026,347 (2021: €18,796,867) respectively.

Financial risk management

The Group's and Company's activities are exposed to a variety of financial risks, including market risk (which include currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Dividends

No interim dividends were paid during the year. The director does not propose the payment of a final dividend.

Post Balance Sheet Events

No significant events, having an effect on the financial results and position of the Company and the Group, have taken place after the end of the reporting year.

Future Developments

No changes are envisaged in operations during the forthcoming year.

Director

The director of the Company who held office during the year was:
Luke Chetcuti

The Company's Articles of Association do not require the director to retire.

Director's report - continued

Statement of director's responsibilities for the financial statements

Company law requires the director to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the director is required to:
In preparing the financial statements, the director is responsible for;

- 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; and
- report comparative figures corresponding to those of the preceding accounting period.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him 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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

CSA Audit Ltd have intimated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the director and signed on 21 August 2024 by:

Luke Chetcuti
Director

Registered office:
St. George's Block A, No.2
St. Augustine Street
St. Julians STJ 3310
Malta

CSA AUDIT

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Lifetime Limited

Report on the audit of the financial statements

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements (the "financial statements") of Lifetime Limited (the "Company"):

- give a true and fair view of the financial position of the Group and Company as at 31 December 2022, and of their financial performance and cashflows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"); and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386) (the "Act").

What we have audited

The Group and Company's financial statements, which comprise:

- the balance sheet as at 31 December 2022;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflow for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for Qualified Opinion

The Group's and Company's investment in associate which are accounted for by the equity method is carried at Nil on the consolidated and separate financial position as at 31 December 2022 and the impairment is included in the consolidated and separate income statement for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's and Company's investment in associate as at 31 December 2022 and the share of results and impairment for the year then ended as the information of the associate was not yet available. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. The effects of any possible adjustments to the investment in associate and any related adjustments to the income statement are deemed to be material but not pervasive to the Group's and Company's financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the *Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

CSA GROUP

CSA Audit Ltd
Level 6, Carolina Court,
Giuseppe Cali Street, Ta' Xbiex, XBX 1425, Malta
Company Registration Number C 99176
www.csagroup.mt

Independence

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The director is responsible for the other information. The other information comprises the 'Director's Report' but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the Director's Report, which we report separately below in our 'Report on Other Legal and Regulatory Requirements'.

Responsibilities of the director for the financial statements

The director is responsible for the preparation of the financial statements that give a true and fair view in accordance with GAPSME and are properly prepared in accordance with the provisions of the Act and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the Company's and the Group'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 director either intends to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

The director is also responsible for overseeing the financial reporting process.

Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Auditors' responsibility for the audit of the financial statements - continued

- 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 Group and 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 Group and 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on other Legal and Regulatory Requirements

Opinion on the Director's Report

The director is responsible for preparing a director's report in accordance with the provisions of article 177 of the Act.

We are required to consider whether the information given in the Director's Report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

AUDIT

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Lifetime Limited

Report on other Legal and Regulatory Requirements - continued

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the director's report has been prepared in accordance with the applicable legal requirements; and
- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the Director's Report, giving an indication of the nature of any such misstatements.

In such regards:

- in our opinion, the Director's Report has been prepared in accordance with the applicable legal requirements; and
- we have not identified material misstatements in the Director's Report.

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

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorized to sign on behalf of CSA Audit Ltd on the audit resulting in this independent auditors' report is Norbert Bugeja.

CSA Audit Ltd
Registered Auditors

21 August 2024

Balance Sheet

		As at 31 December			
		Group		Company	
	Note	**2022**	2021 (restated)*	**2022**	2021
ASSETS		**€**	€	**€**	€
Non-current assets					
Property, plant and equipment	4	**56,678,982**	57,567,192	**43,614**	92,288
Investment property	5	**14,323,492**	14,409,484	**-**	-
Goodwill	6	**178,735**	246,471	**-**	-
Investments in subsidiaries	7	**-**	-	**4,137,330**	4,137,330
Investments in associates	8	**-**	658,748	**-**	703,440
Deferred tax asset	9	**69,577**	332,817	**17,267**	17,267
Other financial assets	10	**1**	1	**1**	1
Total non-current assets		**71,250,787**	73,214,713	**4,198,212**	4,950,326
Current assets					
Inventory	11	**853,163**	539,298	**328,470**	258,680
Trade and other receivables	12	**18,077,985**	11,694,900	**41,969,372**	40,917,288
Cash and cash equivalents	13	**3,406,442**	3,555,381	**2,818**	1,165,500
Current tax asset		**-**	-	**-**	-
Total current assets		**22,337,590**	15,789,579	**42,300,660**	42,341,468
Total assets		**93,588,377**	89,004,292	**46,498,872**	47,291,794

* The comparative information is restated on account of correction of errors – see note 26

The accompanying notes are an integral part of these financial statements.

Balance Sheet – continued

		As at 31 December			
		Group		Company	
		2022	2021 (restated)*	**2022**	2021
	Note	**€**	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	**5,000,001**	5,000,001	**5,000,001**	5,000,001
Revaluation reserve	14	**17,755,798**	17,755,798	**-**	-
Retained earnings	14	**28,157,611**	26,915,389	**17,026,347**	18,796,867
Total equity		**50,913,410**	49,671,188	**22,026,348**	23,796,868
Non-current liabilities					
Borrowings	16	**24,520,350**	21,812,486	**19,520,350**	16,812,486
Deferred tax liability	9	**3,848,000**	3,848,100	**-**	-
Total non-current liabilities		**28,368,350**	25,660,586	**19,520,350**	16,812,486
Current liabilities					
Trade and other payables	15	**11,257,320**	9,149,135	**2,049,525**	2,709,773
Borrowings	16	**2,899,994**	3,131,070	**2,899,994**	3,128,058
Current tax liability		**149,303**	1,392,313	**2,655**	844,609
Total current liabilities		**14,306,617**	13,672,518	**4,952,174**	6,682,440
Total liabilities		**42,674,967**	39,333,104	**24,472,524**	23,494,926
Total equity and liabilities		**93,588,377**	89,004,292	**46,498,872**	47,291,794

* The comparative information is restated on account of correction of errors – see note 26

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 8 to 39 were authorised for issue by the director on 21 August 2024.

Luke Chetcuti
Director

Income statements

		Year ended 31 December			
		Group		**Company**	
	Note	**2022** €	2021 €	**2022** €	2021 €
Revenue	17	**18,994,873**	10,434,546	**4,147,105**	2,563,292
Cost of sales	18	**(4,113,308)**	(2,705,256)	**(4,206,660)**	(2,604,645)
Gross profit/(loss)		**14,881,565**	7,729,290	**(59,555)**	(41,353)
Administrative expenses	18	**(9,851,942)**	(8,157,236)	**(297,403)**	(549,443)
Other operating income	20	**986,006**	1,620,660	**692,132**	713,817
Other expenses	21	**(2,333,623)**	(9,873)	**(705,469)**	-
Operating profit		**3,682,006**	1,182,841	**(370,295)**	123,021
Finance income	22	**279,167**	219,667	**-**	-
Finance costs	23	**(1,997,006)**	(1,097,799)	**(1,400,225)**	(261,003)
Share of results of associates	8	**-**	(128,508)	**-**	-
Profit/(loss) before tax		**1,964,167**	176,201	**(1,770,520)**	(137,982)
Tax expense	24	**(721,945)**	(112,360)	**-**	(17,733)
Profit/(loss) for the year		**1,242,222**	63,841	**(1,770,520)**	(155,715)

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

The Group

	Attributable to owners of the parent			
	Share capital €	Retained earnings €	Revaluation reserve €	Total €
Balance at 1 January 2022	5,000,001	26,915,389	17,755,798	49,671,188
Profit for the year		1,242,222	-	1,242,222
Balance 31 December 2022	**5,000,001**	**28,157,611**	**17,755,798**	**50,913,410**
Balance at 1 January 2021 as previously stated	5,000,001	27,209,016	9,745,812	41,954,829
Prior year adjustments	-	(357,468)	6,059,986	5,702,518
Balance at 1 January 2021 as restated	5,000,001	26,851,548	15,805,798	47,657,347
Revaluation	-	-	1,950,000	1,950,000
Profit for the year as restated		63,841	-	63,841
Balance 31 December 2021	**5,000,001**	**26,915,389**	**17,755,798**	**49,671,188**

The accompanying notes are an integral part of these financial statements

Statement of changes in equity – continued

The Company

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2022	5,000,001	18,796,867	23,796,868
Loss for the year	-	(1,770,520)	(1,770,520)
Balance 31 December 2022	5,000,001	17,026,347	22,026,348
Balance at 1 January 2021	5,000,001	18,952,582	23,952,583
Loss for the year	-	(155,715)	(155,715)
Balance 31 December 2021	**5,000,001**	**18,796,867**	**23,796,868**

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

		Group		Company	
		2022	2021	**2022**	2021
		€	€	**€**	€
Cash flows from operating activities	Note				
Cash used in operations	25	**1,540,412**	(2,938,265)	**(861,074)**	(11,931,111)
Finance income		**279,167**	-	**-**	-
Net interest paid		**(1,997,006)**	(878,132)	**(1,400,225)**	(261,007)
Tax (paid)/received		**(1,698,805)**	(4,333,740)	**(841,954)**	33,245
Net cash used in operating activities		**(1,876,232)**	(8,150,137)	**(3,103,253)**	(12,158,873)
Cash flow from investing activities					
Payments for property, plant and equipment		**(143,019)**	(324,712)	**(910)**	(4,070)
Impair/write off investments		**696,695**	-	**703,440**	-
Amounts advanced to shareholder		**(365,766)**	(225,113)	**(6,634)**	(225,113)
Amounts advanced to related parties		**(7,283,761)**	(29,332)	**(1,037,673)**	(29,332)
Cash flows from investing activities		**(7,095,851)**	(579,157)	**(341,777)**	(258,515)
Cash flows from financing activities					
Bank borrowings		**2,476,751**	11,057,947	**2,479,763**	16,281,273
Amounts owed to related parties		**6,349,367**	1,087	**(197,452)**	(2,667,400)
Net cash generated from financing activities		**8,829,118**	11,059,034	**2,282,311**	13,613,873
Net movements in cash and cash equivalents		**(145,965)**	2,329,740	**(1,162,719)**	1,196,485
Cash and cash equivalents at beginning of year		**3,552,370**	1,222,630	**1,165,500**	(30,985)
Cash and cash equivalents at end of year	13	**3,406,405**	3,552,370	**2,781**	1,165,500

The accompanying notes are integral part of these financial statements

Notes to the financial statements

1 Basis of preparation

1.1 Basis of measurement and statement of compliance

These financial statements of Lifetime Limited (the "Company") have been prepared and presented in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). These financial statements have also been prepared in accordance with the Maltese Companies Act (Cap.386) (the "Act").

The preparation of financial statements in conformity with GAPSME requires the use of certain critical accounting estimates. It also requires the director to exercise his judgement in the process of applying the Company's accounting policies (Note 3 - Critical accounting estimates and judgements).

These financial statements have been prepared under the historical cost convention except for land and buildings classified as property, plant and equipment, which are stated at their revalued amount.

1.2 Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency.

1.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If it is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

1 Basis of preparation - continued

1.3 Consolidation - continued

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Foreign currency translation

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and monetary liabilities denominated in foreign currencies at balance sheet date are translated at year end closing rates of exchange. Any exchange differences arising on the settlement of monetary assets and monetary liabilities, or on translating foreign denominated monetary assets and liabilities at the balance sheet date at rates different from those at which they were previously translated, are recognised in profit or loss.

2 Summary of significant accounting policies – continued

2.2 Property, plant and equipment

Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the future economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are changed to profit or loss during the financial period in which they are incurred.

After initial recognition, property, plant and equipment may be carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses., or under the revaluation model, that is at their fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses.

After initial recognition, land and buildings are carried under the revaluation model while other items of property, plant and equipment are carried under the cost model. Revaluations are made for the entire class of land and buildings at least every five years or with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Building and improvements	10
Plant and machinery and computer equipment	16.67 - 25
Air conditioning and other installations	16.67
Motor vehicles	20
Furniture and fittings	10
Right of use asset	25

2 Summary of significant accounting policies – continued

2.2 Property, plant and equipment - continued

Depreciation method, useful life and residual value

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gains or losses arising on the disposal or retirement of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss within the other income or other expenses.

2.3 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is amortised over 20 years and is tested annually for impairment. Goodwill is carried at cost less amortisation and accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

2.4 Investment properties

Investment property is property (land and building) held to earn rentals or for capital appreciation or both, but not for sale in the ordinary course of business, or for use in the production or supply of goods or services or for administrative purposes. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be measured reliably. Investment property is initially measured at cost, comprising its purchase price and any directly attributable costs. After initial recognition, investment property held by the Company is carried under the cost model less any accumulated depreciation.

Depreciation is calculated to write down the carrying amount of the building using the straight-line method over its expected useful life of 100 years and is charged to profit or loss. Land is not depreciated.

2 Summary of significant accounting policies – continued

2.5 Investments in subsidiaries

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is initially measured at cost.

After initial recognition, the investment in subsidiary is measured using the cost method. Under the cost method, the investment is measured at cost less accumulated impairment losses.

Distributions received from the subsidiary are recognised as investment income in profit or loss when the Company's right to receive the dividend is established.

2.6 Financial assets, financial liabilities and equity

A financial asset or a financial liability is recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

(a) Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment;

2. Summary of significant accounting policies - continued

2.6 Financial assets, financial liabilities and equity - continued

(a) Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are stated at their nominal value unless the effect of discounting is material, in which case trade and other payables are measured at amortised cost using the effective interest method.

(b) Bank borrowings

Subsequent to initial recognition, interest bearing loans are measured at the amortised cost using the effective interest method. Bank loans are carried at their face value due to their market rate of interest.

Subsequent to initial recognition, interest bearing bank overdrafts are carried at their face value due to their short-term maturities.

(c) Loan from shareholder

The Company's loan from shareholder is initially measured at fair value plus transaction costs that are directly attributable to the issue of the loan. After initial recognition, the Company's loan from parent company is measured at amortised cost.

(d) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends to ordinary shareholders are debited directly to equity and are recognised as liabilities in the period in which they are declared.

2.7 Impairment

The Company's property, plant and equipment, intangible assets, investment property, investment in subsidiaries and financial assets are tested for impairment.

(a) Property, plant and equipment, intangible assets, investment property and investment in subsidiaries

The carrying amounts of the Company's property, plant and equipment, intangible assets and investment in subsidiaries are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

2 Summary of significant accounting policies - continued

2.7 Impairment - continued

(a) Property, plant and equipment, intangible assets, investment property and investment in subsidiaries - continued

The carrying amounts of Company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

(b) Financial assets except for financial assets held for trading

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

(a) Finance leases

At the commencement of the lease term, assets held under finance leases, and the corresponding liabilities, are recognised in the balance sheet of the Company at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

2 Summary of significant accounting policies - continued

2.8 Leases - continued

(a) Finance leases - continued

Subsequent to initial recognition, capitalised leased assets are tested for impairment in accordance with the Company's accounting policy on impairment and are fully depreciated in accordance with the Company's accounting policy on plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease obligation. Finance charges are recognised in profit or loss.

(b) Operating leases

Capitalised assets held for use in operating leases are tested for impairment in accordance with the Company's accounting policy on impairment and depreciated in accordance with the Company's accounting policy on investment property. Rental income from operating leases is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic and rational basis is more appropriate.

2.9 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

Bank overdrafts, which are repayable on demand and form an integral part of the Company's cash management and are presented in current liabilities in the balance sheet.

2.10 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.11 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognised when, as a result of a past event, the Company has a present obligation that can be estimated reliably and it is probable that the Company will be required to transfer economic benefits in settlement. Provisions are recognised as a liability in the balance sheet and as an expense in profit or loss unless it is included in the cost of property, plant and equipment or as part of the cost of producing inventories.

2 Summary of significant accounting policies – continued

2.12 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is 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 by the balance sheet date.

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

2.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities. Revenue is recognised upon performance of services, and is stated net of sales tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the inflow of economic benefits associated with the transaction is probable. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates allowed by the entity.

(b) Rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. Revenue from the provision of services is recognised in proportion to the stage of completion of the transaction at the balance sheet date.

2 Summary of significant accounting policies - continued

2.13 Revenue - continued

(c) Rental income

Rental income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably Rental income from investment property is recognised in profit or loss on a straight-line basis over the lease term.

2.14 Government grants

Government grants are assistance by government, inter-governmental agencies and similar bodies whether local, national or international, in the form of cash or transfers of assets to the Company in return for past or future compliance with certain conditions relating to operating activities of the Company. Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute. Any grants relating to future periods are recognised as deferred income.

Government grants related to assets are presented in the balance sheet as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

2.15 Borrowing costs

Borrowing costs, including those costs that are directly attributable to the acquisition, construction or production of qualifying assets, are recognised as an expense in profit or loss in the period in which they are incurred.

2.16 Employee benefits

The Company contributes towards the state pension in accordance with local legislation. The only obligation of the Company is to make the required contributions. Costs are expensed in the period in which they are incurred.

2.17 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

3 Critical accounting estimates and judgements

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

In the opinion of the director, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of Section 5 of GAPSME.

4. Property, plant and equipment

Group

	Land & buildings & improvements	Plant & machinery & computer equipment	Air-conditioning & other installations	Motor vehicles	Furniture & fittings	Right of Use asset	Total
	€	€	€	€	€	€	€
Cost / revalued							
As at 1 January 2022	55,391,507	4,195,800	607,219	714,715	5,008,294	296,736	66,214,271
Additions	61,174	42,210	16,307	-	23,328	-	143,019
As at 31 December 2022	55,452,681	4,238,010	623,526	714,715	5,031,622	296,736	66,357,290
Depreciation							
As at 1 January 2022	395,260	3,119,783	385,749	694,915	3,903,004	148,368	8,647,079
Charge for the year	184,038	332,714	55,543	19,800	364,950	74,184	1,031,229
As at 31 December 2022	579,298	3,452,497	441,292	714,715	4,267,954	222,552	9,678,308
Net book value as at 31 December 2022	**54,873,383**	**785,513**	**182,234**	**-**	**763,668**	**74,184**	**56,678,982**
Net book value as at 31 December 2021	54,996,247	1,076,017	221,470	19,800	1,105,291	148,368	57,567,192

4. Property, plant and equipment – continued

Company

	Plant & machinery & computer equipment	Air-conditioning & other installations	Motor vehicles	Furniture & fittings	Total
Cost	€	€	€	€	€
As at 1 January 2022	723,863	227,557	13,586	1,431,193	2,396,199
Additions	910	-	-	-	910
As at 31 December 2022	724,773	227,557	13,586	1,431,193	2,397,109
Depreciation					
As at 1 January 2022	717,218	221,819	13,586	1,351,288	2,303,911
Charge for the year	2,873	1,436	-	45,275	49,584
As at 31 December 2022	720,091	223,255	13,586	1,396,563	2,353,495
Net book value as at 31 December 2021	6,645	5,738	-	79,905	92,288
Net book value as at 31 December 2022	**4,682**	**4,302**	**-**	**34,630**	**43,614**

4.2 Land and buildings - Group

Land and buildings consist of two hotels and other immovable properties used by the Group for its own operations. Land and buildings are carried at fair value.

The valuation approach applied in assessing the fair value of one of the properties is the income approach using discounted cash flows (DCF) method. Under the DCF method, the property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on the property. To this projected cash flow series, a discount rate is applied to establish the present value of the income stream associated with the property.

In deriving the fair value of the property as at 31 December 2022, the director revisited the cash flow forecasts of the last independent valuation which was carried out on 31 December 2019. The director took into account the higher accommodation revenue generated during 2022 which was better than originally projected but also considered the increase in the discount rate due to inflation. As a result, the director is of the opinion that the current value of the Company's property reflects the fair value.

Other properties are valued by an independent professional architect based on market available data. These valuations were last valued in 2018.

The fair value hierarchy of property is that of Level 3.

As further disclosed in note 16, the Group provided a first special hypothec on its land and buildings and a general hypothec on its assets as security for the bank borrowings (2021: the same security was provided for its bank loan).

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation and accumulated impairment losses is €33,269,485 (2021: €33,392,349).

5 Investment property

Group

	Land and buildings	Airconditioning & other installations	Furniture & fittings	Total
Cost	€	€	€	€
As at 1 January 2022 and as at 31 December 2022	14,188,576	223,903	823,643	15,236,122
Depreciation				
As at 1 January 2022	-	203,965	622,673	826,638
Charge for the year	-	3,628	82,364	85,992
As at 31 December 2022	-	207,593	705,037	912,631
Net book value as at 31 December 2021	14,188,576	19,938	200,970	14,409,484
Net book value as at 31 December 2022	**14,188,576**	**16,310**	**118,606**	**14,323,492**

All the Group's investment properties were leased to third parties and other parties not part of the Group under operating lease agreements.

6. Goodwill

Goodwill acquired through business combination is as follows:

	Group	
	2022	2021
	€	€
Opening balance	**246,471**	276,260
Amortisation for the year	**(29,789)**	(29,789)
Impairment	**(37,947)**	-
Closing balance	**178,735**	246,471

7. Investments in subsidiaries

7.1

	2022		2021	
	Holding %	**Cost €**	Holding %	Cost €
All Round Entertainment Ind. Limited 193,500 Ord. Shares of €2.329373 each, fully paid up	**100**	**450,733**	100	450,733
Vivo Limited 10,000 Ord. Shares of €2.329373 each, fully paid up	**100**	**23,294**	100	23,294
Provision for impairment		**(23,294)**		(23,294)
H Operations Limited (Previously HPNC Limited) 1,200 Ord. Shares of €1.00 each, fully paid up	**100**	**1,200**	100	1,200
Hugo's Hotel Limited 250,000 Ord. Shares of €2.329373 each, fully paid up	**100**	**1,178,125**	100	1,178,125
1,076,372 Pref. B Shares of €2.329373 each, fully paid up	**100**	**2,507,272**	100	2,507,272
		4,137,330		4,137,330

7.2 The principal subsidiaries at 31 December, whose results and financial position affected the consolidated financial statements, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held 2022**	**Percentage of shares held 2021**
All Round Entertainment Ind. Limited	St. George's Block A, No. 2, St Augustine Street, St. Julians Malta	Ordinary shares	**100%**	100%
Vivo Limited	St. George's Block A, No. 2, St Augustine Street, St. Julians Malta	Ordinary shares	**100%**	100%
H Operations Limited (Previously HPNC Limited)	St. George's Block A, No. 2, St Augustine Street, St. Julians Malta	Ordinary shares	**100%**	100%
Hugo's Hotel Limited	Hugo's Hotel, St. George's Bay, St. Julians Malta	Ordinary shares Preference B shares	**100%**	100%

7.3 The financial statements of the subsidiary have been prepared using GAPSME and have been audited in accordance with International Standards on Auditing. A clean audit opinion has been issued in respect of these financial statements.

8. Investments in associates

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Year ended 31 December				
Opening carrying amount	**658,748**	787,256	**703,440**	703,440
Impairment	**(658,748)**	-	**(703,440)**	-
Share of results	-	(128,508)	-	-
Closing carrying amount	-	658,748	-	703,440

The Group's share of results of the associates, disclosed in profit and loss, is stated after tax.

The associates at balance sheet date, whose results and financial position affected the figures of the Group, are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2022	2021
Hugo Cast & Co Limited	Havana, St. George's Road, St. Julians STJ 3209	Ordinary A shares	**50%**	50%
Hugo Cast & Co Limited	Havana, St. George's Road, St. Julians STJ 3209	Ordinary C shares	**50%**	50%
Three Sixty Limited	Havana, St. George's Road, St. Julians STJ 3209	Ordinary A shares	**50%**	50%
Three Sixty Limited	Havana, St. George's Road, St. Julians STJ 3209	Ordinary C shares	**50%**	50%

9. Deferred taxation

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Recognised temporary differences :				
Unabsorbed capital allowances	**120,384**	149,727	**-**	-
Property, plant and equipment	**(50,807)**	183,090	**(177)**	(177)
Tax losses	**-**	-	**17,444**	17,444
Revaluation of property, plant and equipment	**(3,848,000)**	(3,848,100)	**-**	-
	(3,778,423)	(3,515,183)	**17,267**	17,267
Disclosed as follows :				
Deferred tax asset	**69,577**	332,817	**17,267**	17,267
Deferred tax liability	**(3,848,000)**	(3,848,100)	**-**	-
	(3,778,423)	(3,515,183)	**17,267**	17,267
Unrecognised :				
Unabsorbed tax losses	**548,638**	68,686	**401,039**	-
Temporary differences arising from depreciation	**136,443**	(53,933)	**-**	-
Unabsorbed capital allowances	**831,854**	410,775	**17,363**	-
	1,516,935	425,528	**418,402**	-
Deferred tax movement :				
Recognised in the profit and loss	**(263,240)**	(71,836)	**-**	17,267
	(263,240)	(71,836)	**-**	17,267

Deferred taxation is principally composed of deferred tax assets and liabilities which are expected to be recovered and settled after more than 12 months.

10 Other Financial assets

	2022		2021	
	Holding	**Cost**	Holding	Cost
	%	**€**	%	€
H Hotel Ltd 1 Ord. Share of €1 each, fully paid up	**0.1**	**1**	0.1	1

The principal financial asset at 31 December, whose results and financial position affected the figures of the Group, are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2022	2021
H Hotel Ltd	St. George's Block A, No. 2, St Augustine Street, St. Julians Malta	Ordinary shares	**0.1%**	0.1%

11. Inventories

Inventories consist of food and beverages including wines and spirits.

12. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Trade receivables	**780,002**	853,033	**16,588**	3,802
Amounts owed by shareholder	**4,474,713**	4,108,947	**3,379,627**	3,372,993
Amounts owed by third parties	**-**	143,234	**-**	-
Amounts owed by other related parties	**11,695,850**	4,412,089	**38,516,281**	37,478,608
Impairment	**-**	-	**(2,029)**	-
Other receivables	**47,314**	966,021	**2,390**	5,370
Prepayments and accrued income	**396,676**	351,766	**56,515**	56,515
Indirect taxation	**683,430**	859,810	**-**	-
	18,077,985	11,694,900	**41,969,372**	40,917,288

Amounts owed by shareholder and other related parties are unsecured, interest free and repayable on demand.

Trade receivables are presented net of an impairment allowance of €127,148 (2021: nil).

Amounts owed by third parties are presented net of an impairment allowance of €137,105 (2021: nil).

Amounts owed by related parties are presented net of an impairment allowance of €147,010 (2021: nil).

Other receivables are presented net of an impairment allowance of €1,086,480 (2021:nil).

13. Cash and cash equivalents

For the purposes of the cash flow statements, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Cash at bank and in hand	**3,406,442**	3,555,381	**2,818**	1,165,500
Bank overdraft (note 16)	**(37)**	(3,011)	**(37)**	-
	3,406,405	3,552,370	**2,781**	1,165,500

14. Equity

	Group and Company	
	2022	2021
	€	€
Authorised		
2,146,501 Ordinary shares of €2.329373 each	**5,000,001**	5,000,001
Issued and fully paid		
2,146,501 Ordinary shares of €2.329373 each	**5,000,001**	5,000,001

14.2 Revaluation reserve

The revaluation reserve comprises revaluation gains and losses on immovable property used in the Group and Company's operations, net of any attributable taxation element. The revaluation reserve is not available for distribution to the Company's shareholders. Any revaluation surplus included under the revaluation reserve may be transferred directly to retained earnings when the asset is derecognised.

	Group	
	2022	2021
	€	€
At beginning of the year	**17,755,798**	15,805,798
Revaluation	-	1,950,000
At end of year	**17,755,798**	17,755,798

14.3 Retained earnings

No dividends were paid during the current year (2021: Nil). No final dividend is being proposed for distribution.

15. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Trade payables	**1,872,741**	3,004,728	**964,300**	939,037
Amounts due to other related parties	**7,355,311**	1,005,944	**669,958**	867,410
Other payables	**1,229,391**	1,788,765	**371,615**	693,361
Indirect taxation	**487,861**	2,890,417	**14,081**	180,392
Accruals and deferred income	**312,016**	459,281	**29,571**	29,573
	11,257,320	9,149,135	**2,049,525**	2,709,773

Amounts owed to related parties are unsecured, interest free repayable on demand.

16. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current				
Bank loans	**19,520,350**	16,812,486	**19,520,350**	16,812,486
5,000,000 5% bond, 2023-2028	**5,000,000**	5,000,000	**-**	-
	24,520,350	21,812,486	**19,520,350**	16,812,486
Current				
Bank overdraft	**37**	3,011	**37**	-
Banks loans	**2,899,957**	3,128,059	**2,899,957**	3,128,058
	2,899,994	3,131,070	**2,899,994**	3,128,058
Total borrowings	**27,420,344**	24,943,556	**22,420,344**	19,940,544

In 2018, the Group issued an aggregate principal amount of €5,000,000 unsecured bonds, having a nominal value of €100 each, bearing an interest rate of 5% per annum. The bonds are redeemable on 19 May 2028. However, between 19 May 2023 and 19 May 2028, the Company has the option to repay all or part of the principal amount of the bonds and all accrued interest up to the repayment by giving 30 day prior notice of such repayment.

During 2021, the Company successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB). In line with the MDB COVID Guarantee Scheme, the loan is subject to interest of 2.5% for the first two years. Following which, the rate of interest is to be determined by the bank being the aggregate of the Margin (4%) and the base rate.

The Group's and the Company's banking facilities as at 31 December 2022 amounted to €22,520,307 (2021: €20,040,545). The Group's bank facilities are mainly secured by:
(a) special hypothecs over the Group's immovable property;
(b) general hypothecs over the Group's present and future assets;
(c) guarantees provided by Group undertakings;

16. Borrowings - continued

(d) guarantees given by the shareholder;
(e) pledges over the insurance policies of Group undertakings;
(f) pledges over the shareholder's life insurance policies; and
(g) Letter of undertaking not to demand payment of dividends nor withdraw shareholder's loans.

The interest rate exposure of the borrowings is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Total borrowings:				
At floating rates	**27,420,344**	24,943,556	**22,420,342**	19,940,544
	27,420,344	24,943,556	**22,420,342**	19,940,544

The weighted average effective interest rates for borrowings as at the end of the financial reporting period are as follows:

	Group		Company	
	2022	2021	**2022**	2021
Bank overdrafts	**6.4%**	6.4%	**6.4%**	6.4%
Banks loans	**5%**	5%	**5.15%- 6.15%**	5.15%-6.15%

Maturity of non-current borrowings:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Between :				
1 and 2 years	**6,302,265**	6,570,610	**6,302,265**	6,570,610
2 and 5 years	**13,218,085**	10,241,876	**13,218,085**	10,241,876
Over 5 years	**5,000,000**	5,000,000	**-**	-
	24,520,350	21,812,486	**19,520,350**	16,812,486

17. Revenue

The Group's entire revenue is derived locally mainly from hospitality, leisure and ancillary activities.

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Revenue	**18,994,873**	10,434,546	**4,147,105**	2,563,292

18. Expenses by nature

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Employee benefit expense (Note 19)	**5,189,536**	3,917,788	-	58,660
Depreciation of property, plant and equipment and investment property (Note 4 and 5)	**1,117,221**	1,306,633	**49,584**	60,469
Amortisation of goodwill	**29,789**	29,789	-	-
Utilities and similar charges	**230,790**	355,951	**97,916**	54,542
Operating supplies and related expenses	**4,113,309**	2,705,256	**4,206,660**	2,604,645
Commissions	**645,979**	387,433	-	-
Other expenses	**2,638,626**	2,159,642	**149,903**	375,772
Total cost of sales and administrative expenses	**13,965,250**	10,862,492	**4,504,063**	3,154,008

Total remuneration paid to the Company's auditors, included above with other expenses, during the year amounted to:

	2022	2021
	€	€
Audit fees	**32,950**	25,750
Tax advisory services	**2,400**	2,400
Other non-audit services	**92,369**	-
	127,719	28,150

19 Employee benefit expense

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Wages and salaries and social security costs	**5,138,500**	3,626,661	-	58,660
Director's remuneration	**51,036**	291,127	-	-
	5,189,536	3,917,788	-	58,660

The Group engaged an average of 200 direct and administration staff during 2022 (2021: 121)

20. Other operating income

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Rent	**75,520**	35,545	**75,520**	35,545
Commissions	**243,454**	200,402	**237,532**	190,364
Interest on indirect taxation	**-**	244,621	**-**	116,617
Insurance recovery	**-**	27,395	**-**	-
Other income	**585,277**	1,112,697	**297,325**	371,291
Write off of balances	**81,755**	-	**81,755**	-
	986,006	1,620,660	**692,132**	713,817

21. Other expenses

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Other impairments	**703,440**	-	**703,440**	-
Impairment on receivables	**1,497,743**	-	**2,029**	-
Write offs	**132,440**	9,873	**-**	-
	2,333,623	9,873	**705,469**	-

22. Finance income

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Interest charged	**279,167**	-	**-**	-
	279,167	-	**-**	-

23. Finance costs

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Interest on borrowings	**1,517,944**	378,783	**1,320,553**	156,045
Bank charges	**229,062**	168,224	**79,672**	100,037
Other charges	**250,000**	331,125	**-**	4,921
	1,997,006	878,132	**1,400,225**	261,003

24. Tax expense

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Current tax expense	**(458,705)**	(40,523)	**-**	-
Group relief	**-**	-	**-**	(35,000)
Deferred taxation (Note 9)	**(263,240)**	(71,836)	**-**	17,267
Tax expense	**(721,945)**	(112,360)	**-**	(17,733)

24. Tax expense - continued

The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Profit/(loss) before tax	**1,964,167**	176,201	**(1,770,520)**	(137,982)
Tax on profit at 35%	**(687,458)**	(61,670)	**619,682**	48,295
Tax effect of :				
Exempt income	**90,192**	85,617	**45,690**	-
Share of results of associates	**-**	(44,977)	**-**	-
Expenses not deductable	**(309,536)**	(175,323)	**(246,979)**	(85,102)
Unrecognised deferred taxation	**(487,778)**	-	**(418,393)**	19,074
Income taxed at different rates	**231,254**	83,993	**-**	-
Maintenance allowance	**300,748**	-	**-**	-
Reversal of deferred tax previously recognised	**(261,636)**	-	**-**	-
Other	**402,269**	-	**-**	-
Tax charge in the accounts	**(721,945)**	(112,360)	**-**	(17,733)

25. Cash generated from operations

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Operating profit	**3,682,006**	1,182,841	**(370,295)**	123,021
Adjustments for :				
Depreciation	**1,117,221**	1,306,633	**49,584**	60,467
Amortisation of goodwill	**29,789**	29,789	**-**	-
Changes in working capital :				
Inventories	**(313,864)**	(20,115)	**(69,790)**	(96)
Trade and other receivables	**1,266,442**	160,629	**(7,777)**	(10,714,343)
Trade and other payables	**(4,241,186)**	(5,598,042)	**(462,796)**	(1,400,160)
Cash used in operations	**1,540,412**	(2,938,265)	**(861,074)**	(11,931,111)

26. Restatement of comparative figures

The following items relating to the previous year were restated in view of the prior year adjustments effected during the year.

Balance sheet	Restated	As previously reported	Change
ASSETS	€	€	€
Non-current assets			
Intangible assets	246,471	633,728	(387,257)
Property, plant and equipment	57,567,192	68,366,335	(10,799,143)
Investment property	14,409,484	-	14,409,484
Investment in associate	658,748	658,748	-
Deferred tax asset	332,817	332,817	-
Other financial asset	1	1	-
Total non-current assets	73,214,713	69,991,629	3,223,084
Current assets			
Inventory	539,298	539,298	-
Trade and other receivables	11,694,900	11,694,900	-
Cash and cash equivalents	3,555,381	3,555,381	-
Total current assets	15,789,579	15,789,579	-
Total assets	89,004,292	85,781,208	3,223,084
EQUITY AND LIABILITIES			
Share capital	5,000,001	5,000,001	-
Retained earnings as at 1 January 2021*	26,851,548	27,209,016	(357,468)
Profit for the year*	63,841	93,630	(29,789)
Revaluation reserve	17,755,798	11,695,812	6,059,986
Total equity	49,671,188	43,998,459	5,672,729
Non-current liabilities			
Deferred tax liability	3,848,100	6,297,745	(2,449,645)
Borrowings	21,812,486	21,812,486	-
Total non-current liabilities	25,660,586	28,110,231	(2,449,645)
Current liabilities			
Borrowings	3,131,070	3,131,070	-
Trade and other payables	9,149,135	9,149,135	-
Current tax liability	1,392,313	1,392,313	-
Total current liabilities	13,672,518	13,672,518	-
Total liabilities	39,333,104	41,782,749	(2,449,645)
Total equity and liabilities	89,004,292	85,781,208	3,223,084

26. Restatement of comparative figures - continued

*** Income Statement**
The profit for the year ended 31 December 2021 was revised with the amortisation of goodwill (see note below). The adjustment is reflected in the table above by presenting the retained earnings as at 31 December 2021 into retained earnings brought forward from 1 January 2020 and the profit for the year ended 31 December 2021.

During the year, the director has reassessed the classification of its Group property, plant and equipment and investment properties. During this assessment the director noted errors in previous years' classifications as well as inconsistencies in the revaluation of land and buildings. Furthermore, the director adjusted for the amortisation of the goodwill in line with the requirements of the accounting standards adopted by the Group. It was concluded that these errors were material and warranted a prior year adjustment to properly reflect the presentation as well as the carrying amounts of the land and buildings in property, plant and equipment, revaluation reserve and deferred tax liability.

27. Related party transactions

27.1 Relationships between parents and subsidiaries

The entities constituting the Lifetime Group are ultimately owned by Luke Chetcuti who is considered to be the group's ultimate controlling party. Accordingly, all entities owned or controlled by Luke Chetcuti, the associates of the group and the group's key management personnel are the principal related parties of the Lifetime Group.

27.2 Balances with related parties

Year-end balances with related parties are disclosed in Notes 12 and 15 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes.

Key management personnel comprise the director of the Company and the director of the other group undertakings. Key management personnel compensation, consisting of the Company's director's remuneration has been disclosed in Note 18.

27.3 Transactions with related parties

The following transactions were carried out with related parties :

	2022	2021
	€	€
Amounts charged to subsidiaries and other related parties	**4,288,200**	2,307,114

28. Contingent liability

At 31 December 2022 and 2021, the Company's contingent liability consisted in commitment to provide the necessary financial support to the subsidiaries and associates so as to enable these entities to meet their liabilities and any other obligations as they fall due and to continue as a going concern.

29. Statutory information

Lifetime Limited is registered in Malta as a limited liability company under the Companies Act (Cap. 386). The registered office is St. George's Block A No.2, St. Augustine Street, St. Julians STJ 3310.