SP FINANCE p.l.c
No. 89, The Strand,
Sliema,
Malta.

Co. Registration No. C-89462

Ref: SPF - 16/2020

COMPANY ANNOUNCEMENT

Errata Corrige relative to Company Announcement issued by SP Finance plc (the "Company") on the 30th June 2020 - Ref. SPF - 14/2020.

The following is a company announcement issued by SP Finance p.l.c. (the "Company") pursuant to the Listing Rules as issued by the Listing Authority:

Quote

With reference to Company Announcement SPF - 14/2020, the Audited Financial Statements of Sea Pebbles Limited (the Guarantor) for the financial year ended 31st December 2019, approved by the Board of Directors of the Guarantor on the 30th June 2020, are being reproduced hereunder in terms of Circular dated 8th November 2018 on the Dissemination and Storage of Regulated Information issued by the Malta Financial Services Authority

Unquote

Dr. Andrea Micallef,
Company Secretary

1st July 2020

Registration Number C 6138

SEA PEBBLES LIMITED

Report and Financial Statements

for the year ended 31st December 2019

Contents

Directors' Report
for the year ended 31st December 2019

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

The directors present their report and the audited financial statements for the year ended 31st December 2019.

Principal activity

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

Business review

The profit for the year amounted to € 163,430 (2018 : Profit of € 1,052,835). The profit in 2018 included a one-off gain from transfer of immovable property to a related company of €358,255 and a fair value gain on investment property of €324,443. Therefore the profit from the company's main trading activity, excluding the above mentioned one-off items, was €401,477 in 2018.

Dividends and reserves

The results for the year are set out on page 6.

The directors have paid an interim dividend amounting to € 334,000 and they do not recommend payment of a final dividend.

Events after the reporting period

In late February 2020, air travellers' concerns regarding the spreading of the Coronavirus 2019 (COVID-19) resulted in the cancellation of thousands of holidays to Malta. Hundreds of flights to and from Malta were also cancelled, culminating in the practically total closure of the Malta International Airport in mid-March 2020.

As a result, in mid-March 2020, the Company was forced to cease operation of the hotel it operates, which constitutes its principal source of income. Other minor sources of income, consisting of rent receivable from related companies and third parties operating bars and restaurants were also negatively impacted following the forced closure of catering and entertainment venues to control the spread of the virus.

The directors have assessed the short to medium term impact of COVID-19 on the Company's finances and economic viability. In making this assessment, the directors have considered the following factors, among others:

- Short- and medium-term bank financing made available to the Company;
- The various measures introduced by the authorities to alleviate the financial impact of COVID-19, most notably the COVID-19 wage supplement that will remain in place at least until 30 September 2020;
- The successful implementation of cost-cutting measures;
- The announcement that all flights to and from Malta will resume on 15 July 2020; and

- The prospects that an effective vaccine against COVID-19 will be available by early 2021.

Following this assessment, the directors concluded that although COVID-19 will negatively impact the 2020 financial results, the Company has adequate resources to continue in operational existence for the foreseeable future and therefore hereby state that these financial statements have been prepared on the going concern basis.

Directors

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

Directors' responsibilities

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

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

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

Auditors

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

This report was approved and authorised for issue by the Board of Directors on 30th June 2020, and signed on its behalf by:

Joseph Casha
Director

Josephine Casha
Director

Independent Auditors' Report
To the Members of Sea Pebbles Limited

Opinion

We have audited the accompanying financial statements of Sea Pebbles Limited, which comprise the Statement of Financial Position as at 31st December 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Sea Pebbles Limited as of 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act in Malta, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Emphasis of Matter

We draw attention to Note 2 and Note 24 to the financial statements which describe the effects of the Covid-19 pandemic on the Company's operations subsequent to the year ended 31st December 2019. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

Based on the work we have performed, in our opinion:
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Companies Act (Chap. 386).

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

Responsibilities of the directors

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

In preparing the financial statements the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Steven Galea

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

Date : 30th June 2020

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SEA PEBBLES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st December 2019

	Notes	2019 €	2018 €
Revenue	2	1,453,023	1,548,077
Cost of sales		(647,811)	(611,215)
Gross profit		805,212	936,862
Administrative expenses		(436,369)	(228,634)
Other operating income	4	68,750	61,750
Operating profit	5	437,593	769,978
(Loss)/Profit on sale of immovable property		(14,000)	358,255
Profit on ordinary activities before interest		423,593	1,128,233
Fair value gain on investment property		-	324,443
Finance costs	6	(118,171)	(129,621)
Profit before taxation		305,422	1,323,055
Income tax	7	(141,992)	(270,220)
Profit for the year		163,430	1,052,835
Other comprehensive income			
Movement on revaluation of property		-	3,349,207
Total comprehensive income		163,430	4,402,042

The notes on pages 10 to 30 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position
at 31st December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	10	22,035,494	19,904,653
Investment property	9	5,974,491	3,811,400
Right-of-use assets	11	23,853	-
		28,033,838	23,716,053
Current assets			
Trade and other receivables	12	1,188,678	1,051,419
Cash at bank and in hand	13	527,135	9,423
		1,715,813	1,060,842
Total assets		29,749,651	24,776,895
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	14	4,215,875	465,875
Revaluation reserve	15	14,799,920	14,799,920
Other reserves	15	3,992,053	2,938,013
Retained earnings		787,263	890,375
Total equity		23,795,111	19,094,183
Non-current liabilities			
Long-term borrowings	16	2,556,326	-
Deferred taxation	17	2,494,143	2,441,135
		5,050,469	2,441,135
Current liabilities			
Short-term borrowings	16	337,265	2,754,082
Trade and other payables	18	340,706	88,069
Current tax payable	19	226,100	399,426
		904,071	3,241,577
Total liabilities		5,954,540	5,682,712
Total equity and liabilities		29,749,651	24,776,895

The financial statements were approved and authorised for issue by the Board of Directors on 30th June 2020, and signed on its behalf by:

Joseph Casha
Director

Josephine Casha
Director

The notes on pages 10 to 30 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Changes in Equity

for the year ended 31st December 2019

	Called-up issued share capital	Revaluation reserve	Retained earnings	Share issue costs reserve	Capital contribution reserve	Fair value gain reserve	Total
	€	€	€	€	€	€	€
At 1st January 2018	465,875	12,148,368	730,643	-	-	2,644,910	15,989,796
Profit for the year	-	-	1,052,835	-	-	-	1,052,835
Other comprehensive income							
- Movement on revaluation of property	-	3,349,207	-	-	-	-	3,349,207
- Net transfers of FV gain on Investment Property	-	-	(293,103)	-	-	293,103	-
	-	3,349,207	(293,103)	-	-	293,103	3,349,207
Total comprehensive income	-	3,349,207	759,732	-	-	293,103	4,402,042
Transfer of realised profit	-	(358,255)		-	-	-	(358,255)
Deferred tax on revaluation of property	-	(339,400)	-	-	-	-	(339,400)
Dividends	-	-	(600,000)	-	-	-	(600,000)
At 31st December 2018	465,875	14,799,920	890,375	-	-	2,938,013	19,094,183
Profit for the year	-	-	163,430	-	-	-	163,430
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	163,430	-	-	-	163,430
Issue of share capital	3,750,000	-	-	(100,340)	-	-	3,649,660
Transfer against interest on loan from parent	-	-	67,458	-	(67,458)	-	-
Dividends	-	-	(334,000)	-	-	-	(334,000)
Transfer of below-market element on loan from parent	-	-	-	-	1,221,838	-	1,221,838
At 31st December 2019	4,215,875	14,799,920	787,263	(100,340)	1,154,380	2,938,013	23,795,111

SEA PEBBLES LIMITED

Statement of Cash Flows

for the year ended 31st December 2019

	2019	2018
	€	€
Cash flows from operating activities		
Operating profit	437,593	769,978
Adjustments for:		
Recharge of surrendered losses from group companies	(88,984)	-
Depreciation	183,970	184,909
	532,579	954,887
Working capital changes:		
Movement in trade and other receivables	(69,801)	(713,625)
Movement in trade and other payables	76,144	363,318
Cash flows from operations	538,922	604,580
Interest paid	(118,171)	(129,621)
Taxation paid	(173,326)	(14,533)
Net cash flows from operating activities	247,425	460,426
Cash flows from investing activities		
Acquisition of investment property	(2,163,091)	-
Acquisition of property, plant and equipment	(3,025,403)	(268,248)
Proceeds from disposal of property, plant and equipment	700,000	580,000
Net cash flows from investing activities	(4,488,494)	311,752
Cash flows from financing activities		
Movement in shareholders' loan	3,689,823	-
Movement in bank loans	(2,161,693)	(279,571)
Movement in other borrowings	(3,113)	-
Issue of share capital	3,649,660	-
Dividends paid	(334,000)	(600,000)
Net cash flows from financing activities	4,840,677	(879,571)
Movement in cash and cash equivalents	599,608	(107,393)
Reconciliation of net cash flow to movement in net funds		
Movement in cash and cash equivalents	599,608	(107,393)
Cash and cash equivalents at start of year	(72,473)	34,920
Cash and cash equivalents at end of year	527,135	(72,473)
Cash and cash equivalents		
Cash at bank and in hand	527,135	9,423
Bank overdraft	-	(81,896)
	527,135	(72,473)

1. General information

Sea Pebbles Limited is a limited liability company incorporated in Malta. The principal activity of the company is the running of the Pebbles Boutique Aparthotel in Sliema. Its registered office is at 89, The Strand, Sliema SLM 1022.

2. Accounting policies

Accounting convention and basis of preparation

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

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

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

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

Events after the reporting period

As explained in detail in Note 24, measures taken in Malta and in other countries with the aim to control the spread of the Covid-19 virus, including bans on travel, social distancing and closure of non-essential services have meant that the Company cannot operate until such restrictions are lifted, and are also likely to effect the results of the company for the rest of 2020, and possibly in the following years, as the European economies from which the majority of the Company's guests originate are expected to experience a significant economic slowdown.

Going concern

In view of the developments pertaining to the COVID-19 pandemic the directors have stressed the previously prepared projections in order to assess the impact on its operations and liquidity in the foreseeable future. The Company's reassessment of projections and cashflow forecasts have taken into account the full extent of the benefit of measures introduced by the Government of Malta and credit institutions aiming at assisting entities in the current crises, including reimbursement of an element of employee wages, deferral of direct, indirect and payroll taxes and NI contributions.

The Company is in the final stages of obtaining additional banking facilities with HSBC Bank Malta p.l.c. under the Malta Development Bank COVID-19 guarantee scheme, with the requested facilities amounting to €589,000. At the date when these financial statements were authorized for issue, the bank has approved the facilities requested and is in the final administrative stages of issuing formal sanction letters.

The directors have assessed the short to medium term impact of COVID-19 on the Company's finances and economic viability. In making this assessment, the directors have considered the following factors, among others:

- Short and medium-term bank financing made available to the Company;
- The various measures introduced by the authorities to alleviate the financial impact of COVID-19, most notably the COVID-19 wage supplement that will remain in place at least until 30 September 2020;
- The successful implementation of cost-cutting measures;
- The announcement that all flights to and from Malta will resume on 15 July 2020; and
- The prospects that an effective vaccine against COVID-19 will be available by early 2021.

Following this assessment, the directors concluded that although COVID-19 will negatively impact the 2020 financial results, the Company has adequate resources to continue in operational existence for the foreseeable future and therefore hereby state that these financial statements have been prepared on the going concern basis.

New and revised standards that are effective for the current period

In the current year, the entity has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations.

On adoption of IFRS 16, the company recognised right-of-use assets and lease liabilities as follows:

	As at 31.12.2018, as originally presented	Adjustment	As at 01.01.2019
	€	€	€
Assets			
Right-of-use assets	-	27,261	27,261
Liabilities			
Lease liabilitites	-	23,996	23,996

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards
The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The directors do not not expect that the adoption of the amended Standards will have a material impact on the financial statements of the company.

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

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

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

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

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

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

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

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

Share capital
Ordinary shares are classified as equity.

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

Impairment

Impairment testing for intangible assets and property, plant and equipment

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

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

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

Impairment of financial assets

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

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

The entity makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The entity takes into consideration the historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Refer to Note 12 for a detailed analysis of how the impairment requirements are applied.

Leasing and hire purchase commitments

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

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

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

Cash and cash equivalents
Cash and cash equivalents consist of cash in hand and balances with banks.

3. Critical accounting estimates and judgements

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

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

4. Other operating income

	2019	2018
	€	€
Rental income from restaurants	63,250	56,250
Service charge receivable	5,500	5,500
	68,750	61,750

5. Operating profit

		2019	2018
		€	€
Operating profit is stated after charging:			
Staff costs	*Note*	175,831	150,923
Directors' remuneration	*Note*	120,000	900
Depreciation		183,970	184,909
Auditors' remuneration		4,800	4,800

Staff costs

	2019	2018
	€	€
Wages and salaries (including directors' remuneration)	281,377	139,211
Social security costs	14,454	12,612
	295,831	151,823

	2019	2018
Number of employees		
The average number of employees		
(including the directors) during the year was:		
Operations and administration	14	10

6. Finance costs

	2019	2018
	€	€
Interest on bank overdraft	5,158	1,614
Interest on bank loan	35,598	123,824
Interest on related party loans	67,458	-
Lease finance charges and hire purchase interest	1,483	851
Other interest	8,474	3,332
	118,171	129,621

7. Income tax

	2019	2018
	€	€
Malta Income Tax :		
Current - for the year	-	226,100
Deferred	141,992	44,120
Tax charge for the year	141,992	270,220

The accounting profit and the tax charge for the year are reconciled as follows:

	2019 €	2018 €
Profit before taxation	305,422	1,323,055
Tax thereon at 35%	106,898	463,069
Tax effect of permanent differences	39,032	(192,849)
Maintenance allowance on rental income	(3,938)	-
Tax charge for the year	141,992	270,220

8. Dividends

	2019 €	2018 €
Dividends on equity shares:		
Ordinary shares - Total net dividend	334,000	600,000
Euro per share (net)	€0.079	€3.000

9. Investment property

	2019 €	2018 €
At 1st January	3,811,400	3,486,957
Additions	2,163,091	-
Revaluation	-	324,443
At 31st December	5,974,491	3,811,400

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

Valuation of these assets has been reassessed after the reporting period following the spread of the Covid-19 pandemic and the resulting implication on the Company's operations. This is further explained in Note 24 - Events after the reporting period.

Investment property owned by the Company that has been utilised for a number of years for the purposes of earning rental income has been reclassified to Investment property from Property, plant and equipment. The comparative figures have been restated in this regard.

10. Property, plant and equipment

	Land and buildings	Motor vehicles	Equipment	Electrical installation	Furniture and fittings	Computer equipment	Total
	€	€	€	€	€	€	€
Cost/revaluation							
At 1st January 2018	16,273,301	33,061	450,512	215,348	1,078,577	39,617	18,090,416
Additions	97,084	-	21,955	18,129	131,080	-	268,248
Revaluation	3,349,207	-	-	-	-	-	3,349,207
Disposals	(580,000)	-	-	-	-	-	(580,000)
At 31st December 2018	19,139,592	33,061	472,467	233,477	1,209,657	39,617	21,127,871
At 1st January 2019	19,139,592	33,061	472,467	233,477	1,209,657	39,617	21,127,871
Additions	2,999,370	-	9,619	-	13,775	2,639	3,025,403
Disposals	(714,000)	-	-	-	-	-	(714,000)
At 31st December 2019	21,424,962	33,061	482,086	233,477	1,223,432	42,256	23,439,274
Depreciation							
At 1st January 2018	272,258	15,264	266,927	58,231	387,793	37,836	1,038,309
Charge for the year	63,334	6,612	34,091	22,685	57,330	857	184,909
At 31st December 2018	335,592	21,876	301,018	80,916	445,123	38,693	1,223,218
At 1st January 2019	335,592	21,876	301,018	80,916	445,123	38,693	1,223,218
Charge for the year	57,737	5,932	34,552	22,406	58,418	1,517	180,562
At 31st December 2019	393,329	27,808	335,570	103,322	503,541	40,210	1,403,780
Net book value							
At 31st December 2019	21,031,633	5,253	146,516	130,155	719,891	2,046	22,035,494
At 31st December 2018	18,804,000	11,185	171,449	152,561	764,534	924	19,904,653
At 31st December 2017	16,001,043	17,797	183,585	157,117	690,784	1,781	17,052,107

Fair value measurement of the Company's land and buildings

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

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

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

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

	2019	2018
	€	€
Land and buildings	4,351,313	2,123,680

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

In considering whether an impairment of the company's immovable property has occurred, the directors took into consideration a valuation carried out by an independent architect in March 2020, just before the coming into effect of the Covid-19 restrictions. This valuation considers the fact that the overall value of the company's immovable property has been enhanced by the purchase of property during 2019, which has now resulted in the company owning a set of properties, which when considering their future development potential together, give rise to a considerably higher market value. The directors therefore consider that any possible impairment on the value of immovable property due to the pandemic, is offset by the increase in the value of immovable property during 2019, and therefore, it is considered appropriate not to impair the company's immovable property.

11. Leases

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

(i) Amounts recognised in the Statement of Financial Position

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

	2019	2018
	€	€
Right-of-use assets		
Lift	23,853	-
Lease liabilities		
Current	3,265	-
Non-current	20,883	-
	24,148	-

Additions to the right-of-use assets during the 2019 financial year were € 27,261.

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

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

	2019	2018
	€	€
Depreciation charge of right-of-use assets		
Lift	3,408	-
Interest expense (included in finance cost)	1,483	-

The total cash outflow for leases in 2019 was €4597.

12. Trade and other receivables

		2019	2018
		€	€
Trade receivables	*Note*	10,156	19,459
Amounts owed by related party	*Note*	1,082,482	1,008,570
Other receivables		2,390	23,390
Unamortised bond issue costs		93,650	-
Financial assets		1,188,678	1,051,419

Impairment for financial assets
Trade receivables
The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31st December 2019 was determined as follows:

		Trade recevables						
		Current	> 30 days	> 60 days	> 90 days	> 180 days	>365 days	Total
Expected credit loss rate	%	-	6.00	20.00	30.00	50.00	100.00	
Gross carrying amount	€	10,156	-	-	-	-	-	10,156
Lifetime expected credit loss	€	-	-	-	-	-	-	-

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

13. Cash at bank and in hand

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

14. Called up issued share capital

	2019	2018
	€	€
Authorised		
4,215,875 Ordinary shares of €1 each	4,215,875	465,875
Called up issued and fully paid-up		
4,215,875 Ordinary shares of €1 each	4,215,875	465,875

15. Reserves

Capital contribution reserve

	2019	2018
	€	€
At 1st January	-	-
Additions during the year	1,221,838	-
Transfer against interest on loan from parent	(67,458)	-
At 31st December	1,154,380	-

Capital contribution reserves consist of a contribution, in the form of a long term, interest-free loan from the parent to the company. The amount of the contribution represents the difference, upon recognition of the borrowings by the company, between the fair value of the loan and the loan's nominal amount. This contribution from the parent is in excess of share capital, does not itself bear interest, and the parent does not have a right to oblige the company to return this contribution. The capital contribution reserve is non-distributable.

Revaluation reserve

	2019	2018
	€	€
At 1st January	14,799,920	12,148,368
Gain on revaluation of property	-	3,349,207
Deferred tax liability arising on revaluation of property	-	(339,400)
Trasnfer of gain on revaluation on disposal of property	-	(358,255)
At 31st December	14,799,920	14,799,920

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

Fair value gain reserve

	2019	2018
	€	€
At 1st January	2,938,013	2,644,910
Gain on revaluation of property	-	293,103
At 31st December	2,938,013	2,938,013

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

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

Share issue costs reserve

	2019	2018
	€	€
At 1st January	-	-
Costs incurred on issue of shares	(100,340)	-
At 31st December	(100,340)	-

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

16. Borrowings

		2019	2018
		€	€
Falling due within one year:			
Bank overdraft	*Note*	-	81,896
Bank loans		-	2,161,693
Directors' current account		-	510,493
Lease liabilities	*Note 11*	3,265	-
Loan from parent	*Note*	334,000	-
Short-term borrowings		337,265	2,754,082
Falling due in between two and five years:			
Lease liabilities	*Note 11*	20,883	-
Falling due in five years or more:			
Loan from parent	*Note*	2,535,443	-
Long-term borrowings		2,556,326	-

Bank overdraft

At 31st December 2019 the company had a bank overdraft facility of €200,000. This facility is secured by a general hypothec over the company's assets, a special hypothec over the company's immovable property, a general hypothecary guarantee over directors' assets, a guarantee over directors' immovable property and by pledges over various insurance policies.

Loan from parent

This loan is unsecured, interest-free and repayable upon demand. The purpose of this loan was to finance the Company's repayment of bank borrowings and expenditure in immovable property during the 2019 financial year.

17. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2019	2018
	€	€
Excess of capital allowances over depreciation	197,160	179,595
Unabsorbed tax losses and capital allowances	(32,351)	-
Effect due to tax treatment of bond costs	67,897	-
Effect due to tax treatment of finance leases	(103)	-
Effect due to revaluation of property, plant and equipment	1,880,400	1,880,400
Effect due to fair value movement of investment property	381,140	381,140
	2,494,143	2,441,135

Movements on the provision for deferred taxation are:

	2019	2018
	€	€
At 1st January 2019	2,441,135	2,057,615
Recognised in profit or loss:		
Movement in the excess of capital allowances over depreciation	17,565	12,780
Movement in absorbed tax losses and capital allowances	(32,351)	-
Effect due to tax treatment of bond costs	67,897	-
Effect due to tax treatment of finance leases	(103)	-
Effect due to fair value movement of investment property	-	31,340
Effect of tax losses surrendered by group companies	88,984	-
Recognised in other comprehensive income:		
Effect due to revaluation of property, plant and equipment	-	339,400
Charged by group companies:		
Recharge of tax losses surrendered by group companies	(88,984)	-
At 31st December 2019	2,494,143	2,441,135
Effect recognised in:		
Deferred tax movements recognised in profit or loss (Note 7)	141,992	44,120
Deferred tax movements recognised in equity	-	339,400
Charged by group companies	(88,984)	-
	53,008	383,520

18. Trade and other payables

		2019	2018
		€	€
Trade payables		27,750	28,490
Amounts owed to related parties	*Note*	88,984	-
Indirect taxes		66,809	9,524
Other payables		29,239	21,686
Accruals		127,924	28,369
		340,706	88,069

Amounts owed to related parties
These amounts are unsecured, interest free and are repayable upon demand.

19. Current tax payable

	2019	2018
	€	€
The tax provision is made up of :		
Balance at beginning of year	399,426	187,859
Provision for the year	-	226,100
Settlement tax paid	(173,326)	(14,533)
Balance at end of year	226,100	399,426

20. Contingent liabilities

The Company has various contingent liabilities, as listed hereunder.

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

Pebbles Resort Limited
The Company is securing the bank borrowings (amounting to €500,000) of Pebbles Resort Limited (a company within the same Group) by a special hypothec over immovable property, by a general hypothec over the Company's assets and by a guarantee.

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

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

Third party debtor
The Company is standing as surety against the debt of a third party for the value of €735,000 (originally €1,050,000), secured by immovable property owned by the company. This debt is repayable by the third party debtor in seven equal annual instalments of €105,000. This debt is also personally guaranteed by the directors of the company.

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

21. Risk management objectives and policies

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

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

Credit risk

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

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

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

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

Liquidity risk

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

At 31st December 2019 and 31st December 2018, there were no contractual maturities on the financial liabilities of the entity. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Foreign currency risk

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

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

Interest rate risk

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

22. Related party transactions

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

	2019	2018
	€	€
Other operating income		
Commonly controlled entity		
Rental income	30,000	30,000
Profit on sale of property		
Commonly controlled entity		
Sale of immovable property	-	358,255
Other transactions		
Group companies		
Recharge of bond issue costs	107,879	
	137,879	388,255
Cost of sales		
Group company		
Administration charge	45,000	-
Administrative expenses		
Ultimate parent		
Administration charge	37,680	-
Finance costs		
Parent		
Interest on loan	67,458	-
Other transactions		
Ultimate parent		
Recharge of bond issue costs	8,013	-
Group company		
Recharge of tax losses surrendered	88,984	-
Dividends paid		
Parent		
Dividends paid	334,000	-
	581,135	-

23. Ultimate controlling party

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

24. Events after the reporting period

Overall risk to the Company's operations

In late February 2020, air travellers' concerns regarding the spreading of the Coronavirus 2019 (COVID-19) resulted in the cancellation of thousands of holidays to Malta. Hundreds of flights to and from Malta were also cancelled, culminating in the practically total closure of the Malta International Airport in mid-March 2020.

As a result, the Company was forced to cease operations of the hotel it operates, which constitutes its principal source of income. Other sources of income of the Company from the rental of its restaurants have also been negatively impacted by the forced closure of catering venues and, upon reopening in June 2020, by restrictions that were put in place to control the spread of the virus.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31st December 2019 have not been adjusted to reflect their impact.

At present, there are still many uncertainties regarding both the duration and the impact of the Covid-19 pandemic, due to ongoing medical research into possible cures or vaccines, uncertainty about a possible future second wave of the pandemic, uncertainties about the extension of existing government schemes, and possible future fiscal assistance packages. It is therefore not possible to reliably estimate the impact of the consequences of the pandemic on the financial position and results of the Company for future periods.

Cost cutting measures

The directors have been working tirelessly since February to ensure that the Company is able to survive this pandemic, the like that has not been experienced before in our lifetime. The directors have been actively working on processes and procedures to mitigate against closure particularly with regards to payroll where a number of measures including a reduced working week and the using up of annual leave were enacted. As revenues reduce to zero, the Company's operational expenses are being reduced through ongoing discussions with suppliers and payroll is now also being supported through a subsidy offered by Government.

25. Consolidated financial statements

The company is fully owned by the ultimate parent of the Group, SP Finance plc. The ultimate parent is required to prepare consolidated financial statements, and its first financial period on which consolidation is required is the period ending on 31st December 2019.