SP FINANCE p.l.c

No. 89, The Strand,
Sliema,
Malta.

Co. Registration No. C-89462

Ref: SPF - 45

COMPANY ANNOUNCEMENT

The following is a company announcement issued SP Finance p.l.c. (hereinafter the "Company") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority (the "Capital Markets Rules").

Quote

The Company announces that the annual audited financial statements of Sea Pebbles Limited (guarantor of the SP Finance p.l.c €12million 2029 4% Secured Bonds) for the financial year ended 31st December 2022, have been approved by the Board of Directors of Sea Pebbles Limited, are attached to the present Company Announcement and are also available for viewing at the registered office of the Company as also in the Investor Relations section on the Company's web portal: https://pebbleshotelmalta.com/investor-relations/

Unquote

Dr. Andrea Micallef
Company Secretary
28th April 2023

Registration Number C 6138

SEA PEBBLES LIMITED

Report and Financial Statements

for the year ended 31st December 2022

SEA PEBBLES LIMITED

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SEA PEBBLES LIMITED

Directors' Report

for the year ended 31st December 2022

Directors	Joseph Casha Josephine Casha
Registered address	89 The Strand Sliema

The directors present their report and the audited financial statements for the year ended 31st December 2022.

Principal activity

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

Business review

The profit for the year amounted to €107,277 (2021 : Loss of €217,216). The revenue for the year amounted to €1,251,833 (2021 : €721,871).

The financial results attained in 2022 are significantly better than those attained in 2021. This is in line with the projections made in last year's Directors' Report. During 2022 the company generated a gross profit of €471,095 (2021 : €242,463), and an operating profit of €429,510 (2021 : €344).

Dividends and reserves

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

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

Events after the reporting period

In February 2023, Sea Pebbles Limited acquired 100% of the shares in Med Asia Operations Ltd. (C-103605), a company which had not yet commenced trading, at nominal value. With effect from 1st April 2023 Med Asia Operations Ltd. acquired the catering operations previously carried out by related companies outside the Group, namely the MedAsia Fusion Lounge in Sliema, the MedAsia Playa in Sliema, The MedAsia Golden Sands in Golden Bay, the Noodle Box in Sliema and all the bar and restaurant venues located in the Pebbles Resort in St. Paul's Bay.

In March 2023, Med Asia Branding Ltd. (C-89612) (formerly Pebbles St. Julians Limited), a company within the Group, acquired certain intellectual property relating to the catering operations which, with effect from 1st April 2023, were acquired by Med Asia Operations Ltd. following the agreement referred to above.

Directors' Report
for the year ended 31st December 2022

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 27th April 2023, 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 2022, 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 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

Basis for Opinion

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

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

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 to these financial statements, which describes the directors' assessment of the company's projected financial results, cash flows and financial position, taking into account of the improved operating results expected in the 2 hotels operated by the company and the Group and the success of the catering establishments operated by the newly acquired company Med Asia Operations Limited. These events or conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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VAT No. MT2666-4409

Steven Galea and Associates Ltd is a limited liability company registered in Malta under the Company's Act 1995. with company reference number C93610

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

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

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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Independent Auditors' Report
To the Members of Sea Pebbles Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Frameworks

Under the Companies Act, 1995 (Cap. 386) we are required to report to you if, in our opinion:
- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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

Steven Galea

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

Date : 27th April 2023

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SEA PEBBLES LIMITED

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2022

	Notes	2022 €	2021 €
Revenue	**2**	1,251,833	721,871
Cost of sales		(780,738)	(479,408)
Gross profit		471,095	242,463
Administrative expenses		(86,817)	(98,047)
Other operating income	**4**	58,059	33,052
Profit/(loss) on sale of property, plant and equipment		153,000	-
Earnings before interest, tax and depreciation		595,337	177,468
Depreciation		(165,827)	(177,124)
Operating profit	**5**	429,510	344
Finance costs	**6**	(324,531)	(321,306)
Profit/(loss) before taxation		104,979	(320,962)
Income tax	**7**	2,298	103,746
Profit/(loss) for the year		107,277	(217,216)
Total comprehensive income		107,277	(217,216)

The notes on pages 11 to 31 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position

at 31st December 2022

	Notes	2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	**9**	22,000,505	22,146,931
Investment property	**8**	6,004,491	6,004,491
Right-of-use assets	**10**	13,629	17,037
		28,018,625	28,168,459
Current assets			
Trade and other receivables	**12**	348,409	198,735
Other financial assets at amortised cost	**11**	499,485	644,657
Cash at bank and in hand	**13**	68,496	15,393
		916,390	858,785
Total assets		28,935,015	29,027,244

The notes on pages 11 to 31 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position
at 31st December 2022

	Notes	2022 €	2021 €
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	**14**	1,715,875	4,215,875
Revaluation reserve	**15**	14,799,920	14,799,920
Other reserves	**15**	2,837,673	2,837,673
Retained earnings		96,407	(10,870)
Total equity		19,449,875	21,842,598
Non-current liabilities			
Long-term borrowings	**16**	6,440,877	3,959,384
Deferred taxation	**17**	2,147,871	2,308,921
Lease liabilities	**10**	9,718	13,646
		8,598,466	6,281,951
Current liabilities			
Short-term borrowings	**16**	445,395	507,919
Trade and other payables	**18**	321,756	231,348
Current tax payable	**19**	115,594	159,721
Lease liabilities	**10**	3,929	3,707
		886,674	902,695
Total liabilities		9,485,140	7,184,646
Total equity and liabilities		28,935,015	29,027,244

The financial statements were approved and authorised for issue by the Board of Directors on 27th April 2023, and signed on its behalf by:

Joseph Casha
Director

Josephine Casha
Director

The notes on pages 11 to 31 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Changes in Equity

for the year ended 31st December 2022

	Called-up issued share capital €	Revaluation reserve €	Retained earnings €	Share issue costs reserve €	Capital contribution reserve €	Fair value gain reserve €	Total €
At 1st January 2021	4,215,875	14,799,920	206,346	(100,340)	1,050,427	2,938,013	23,110,241
Loss for the year	-	-	(217,216)	-	-	-	(217,216)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	(217,216)	-	-	-	(217,216)
Transfer against interest on loan from parent	-	-	-	-	-	-	-
Elimination of below-market element on loan from parent	-	-	-	-	(1,050,427)	-	(1,050,427)
At 31st December 2021	4,215,875	14,799,920	(10,870)	(100,340)	-	2,938,013	21,842,598
Profit for the year	-	-	107,277	-	-	-	107,277
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	107,277	-	-	-	107,277
Reduction of issued share capital	(2,500,000)	-	-			-	(2,500,000)
At 31st December 2022	1,715,875	14,799,920	96,407	(100,340)	-	2,938,013	19,449,875

SEA PEBBLES LIMITED

Statement of Cash Flows

for the year ended 31st December 2022

	2022 €	2021 €
Cash flows from operating activities		
Operating profit	429,510	344
Adjustments for:		
Recharge of surrendered losses from group companies	(151,102)	-
Depreciation	165,827	177,124
Profit on disposal of property plant and equipment	(182,000)	-
	262,235	177,468
Working capital changes:		
Movement in trade and other receivables	(4,502)	141,459
Movement in trade and other payables	174,544	(226,082)
Cash flows from operations	432,277	92,845
Interest paid	(324,531)	(321,306)
Taxation paid	(51,777)	(13,209)
Net cash flows from operating activities	55,969	(241,670)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(15,993)	(170,851)
Proceeds from disposal of property, plant and equipment	182,000	-
Net cash flows from investing activities	166,007	(170,851)
Cash flows from financing activities		
Movement in shareholders' loan	2,500,000	-
Movement in bank loans	(179,927)	301,859
Movement in other borrowings	(3,706)	(3,498)
Reduction of share capital	(2,500,000)	-
Net cash flows from financing activities	(183,633)	298,361
Movement in cash and cash equivalents	38,343	(114,160)
Reconciliation of net cash flow to movement in net debt		
Movement in cash and cash equivalents	38,343	(114,160)
Cash and cash equivalents at start of year	(106,622)	7,538
Cash and cash equivalents at end of year	(68,279)	(106,622)
Cash and cash equivalents		
Cash at bank and in hand	68,496	15,393
Bank overdraft	(136,775)	(122,015)
	(68,279)	(106,622)

1. General information

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

2. Accounting policies

Accounting convention and basis of preparation

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

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

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

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

Assessment of the appropriateness of the going concern assumption
The company's financial results for the year ended on 31st December 2022 have improved significantly over the previous year, in line with projections made in the previous year. When considering that the company forms part of a Group, is the guarantor for the Secured Bonds issued by the ultimate parent of the Group, and is also guaranteeing the bank borrowings of another company within the Group, the assessment of the appropriateness of the going concern assumption has to be made in the context of the performance and projections of the whole Group.

The directors are conscious that the projected revenues include judgements reached which at this stage remain subject to a material degree of underlying uncertainty, however the following matters are considered to constitute a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

During 2022 the Group of which the company forms part generated its revenue almost exclusively from the operation of two hotels (one operated by Sea Pebbles Limited and the other by its sister company Pebbles Resort Limited). In April 2023, the Group through Sea Pebbles Limited acquired certain well-established catering businesses previously operated by related companies outside the Group, which will serve not only to diversify the Group's operations but also provide an additional source of revenue and pre-tax profits in 2023 and beyond.

It is encouraging to note that in 2022 the company's and Group's revenue reached €1.252 million and €3.626 million respectively, representing a 73.4% and 79% increase respectively over the 2021 revenue of €0.722 million and €2.025 million respectively. In addition, accommodation revenue for the period January to March 2023 for both the company and the Group is also showing improvements over the same period in 2022.

Within this context, the board requested management to prepare realistic but prudent financial projections for FY 2023 and beyond. Following a detailed assessment of the assumptions taken into account in the preparation of these financial projections, these were adopted by the Board.

On the basis of these financial projections, the financial results of the company and the Group for the year 2023 are expected to continue to improve significantly compared to those achieved in 2022.

As stated, the projections adopted by the board were those it considered to be based on a realistic yet prudent scenario. The board also considered the excellent relationship that the company and the Group continue to enjoy with their bankers, a relationship that spans several decades, which suggests that additional finance, if needed, is likely to be forthcoming.

Following this detailed assessment, the directors concluded that the company and the Group is likely to generate sufficient financial resources through its operations as to permit it to continue in operational existence for the foreseeable future.

Accordingly, based on the outcome of the cashflow projections in a prudent scenario as referred to above, the directors consider the going concern assumption in the preparation of the company's financial statements as appropriate as at the date of authorisation for issue of the 2022 financial statements.

New and revised standards that are effective for the current period
In 2022, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Other accounting amendments effective as from 1 January 2022 did not have a significant impact on the company's financial results, position, cashflows and accounting policies.

New and revised standards that are issued but not yet effective
Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1st January 2022. The company has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

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

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

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

Buildings	-	2%
Electrical installation	-	10%
Furniture and 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.

Government grants

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

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

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

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

3. Critical accounting estimates and judgements

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

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

4. Other operating income

	2022	2021
	€	€
Rental income from restaurants	52,559	27,552
Service charge receivable	5,500	5,500
	58,059	33,052

5. Operating profit

		2022	2021
		€	€
Operating profit is stated after charging:			
Staff costs	*Note*	204,071	235,924
Directors' remuneration	*Note*	120,000	120,000
Depreciation		165,827	177,124
Auditors' remuneration		5,400	4,800
and after crediting:			
Profits/losses on disp of intangibles		-	-
Profit on disposal of property plant and equipment		29,000	-

Staff costs

	2022 €	2021 €
Wages and salaries (including directors' remuneration)	308,315	338,399
Social security costs	15,756	17,525
	324,071	355,924
Government assistance	(47,276)	(152,664)
	276,795	203,260

Government assistance

The Maltese Government announced a number of measures to financially support businesses where operations were significantly impacted by the Covid-19 pandemic. The company was eligible to benefit from the Covid Wage supplement under Annex A, receiving €800 on a monthly basis per full-time employee until the measure was stopped by Government on 31 May 2022.

	2022	2021
Number of employees		
The average number of employees (including the directors) during the year was:		
Operations and administration	15	17

6. Finance costs

	2022 €	2021 €
Interest on bank overdraft	6,516	6,088
Interest on bank loan	6,276	2,280
Interest on related party loans	295,186	295,186
Lease finance charges and hire purchase interest	890	1,099
Other interest	15,663	16,653
	324,531	321,306

7. Income tax

	2022	2021
	€	€
Malta Income Tax :		
Current - for the year	7,650	-
Deferred	(9,948)	(103,746)
Tax credit for the year	(2,298)	(103,746)

The accounting profit/(loss) and the tax credit for the year are reconciled as follows:

	2022	2021
	€	€
Profit/(loss) before taxation	104,979	(320,962)
Tax thereon at 35%	36,743	(112,337)
Tax effect of permanent differences	(35,362)	10,520
Maintenance allowance on rental income	(3,679)	(1,929)
Tax credit for the year	(2,298)	(103,746)

8. Investment property

	2022	2021
	€	€
At 1st January	6,004,491	6,004,491
Additions	-	-
Revaluation	-	-
At 31st December	6,004,491	6,004,491

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

9. Property, plant and equipment

	Land and buildings	Motor vehicles	Equipment	Electrical installation	Furniture and fittings	Computer equipment	Total
	€	€	€	€	€	€	€
Cost/revaluation							
At 1st January 2021	21,712,111	33,061	483,865	233,477	1,223,432	44,463	23,730,409
Additions	133,368	-	22,555	-	12,560	2,368	170,851
At 31st December 2021	21,845,479	33,061	506,420	233,477	1,235,992	46,831	23,901,260
At 1st January 2022	21,845,479	33,061	506,420	233,477	1,235,992	46,831	23,901,260
Additions	-	-	-	-	15,291	702	15,993
Disposals	-	(29,661)	-	-	-	(36,189)	(65,850)
At 31st December 2022	21,845,479	3,400	506,420	233,477	1,251,283	11,344	23,851,403
Depreciation							
At 1st January 2021	451,309	33,061	367,559	125,304	561,959	41,421	1,580,613
Charge for the year	57,980	-	32,905	21,982	59,046	1,803	173,716
At 31st December 2021	509,289	33,061	400,464	147,286	621,005	43,224	1,754,329
At 1st January 2022	509,289	33,061	400,464	147,286	621,005	43,224	1,754,329
Charge for the year	57,980	-	22,399	20,250	59,811	1,979	162,419
On disposals	-	(29,661)	-	-	-	(36,189)	(65,850)
At 31st December 2022	567,269	3,400	422,863	167,536	680,816	9,014	1,850,898
Net book value							
At 31st December 2022	21,278,210	-	83,557	65,941	570,467	2,330	22,000,505
At 31st December 2021	21,336,190	-	105,956	86,191	614,987	3,607	22,146,931
At 31st December 2020	21,260,802	-	116,306	108,173	661,473	3,042	22,149,796

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. Since the last valuation that was recognised in the financial statements for the year ending 31st December 2018, the company has obtained a yearly valuation by an independent valuer, which indicates that the current market value is materially in excess of the current book value. However, management considers that it is currently not prudent to revalue the Company's land and buildings to the current market value as indicated by the independent valuer since the Company is currently not fully utilising all the property to its full potential, and it is currently evaluating options on how to best to develop the property to obtain the best value in today's evolving tourism market.

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

	2022 €	2021 €
Land and buildings	4,597,890	4,655,870

10. 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:

	2022 €	2021 €
Right-of-use assets		
Lift	13,629	17,037
Lease liabilities		
Current	3,929	3,707
Non-current	9,718	13,646
	13,647	17,353

Additions to the right-of-use assets during the 2022 financial year were € - (2021 - € -).

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

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

	2022 €	2021 €
Depreciation charge of right-of-use assets		
Lift	3,408	3,408
Interest expense (included in finance cost)	890	1,099

The total cash outflow for leases in 2022 was € 4597 (2021 - € 4597).

11. Other financial assets at amortised cost

		2022 €	2021 €
Non-Current:			
Amounts due by commonly controlled entity	*Note*	-	-
Current:			
Amounts due by commonly controlled entity	*Note*	499,485	644,657
		499,485	644,657

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

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

12. Trade and other receivables

		2022 €	2021 €
Trade receivables	*Note*	35,307	39,647
Amounts owed by related parties		241,164	76,241
Other receivables		6,390	9,265
Unamortised bond issue costs		63,548	73,582
Financial assets		346,409	198,735
Prepayments		2,000	-
		348,409	198,735

Impairment for financial assets
Trade receivables
The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses (ECL) for trade receivables as at 31st December 2022 was determined as follows:

		Trade recevables						
		Current	> 30 days	> 60 days	> 90 days	> 180 days	>365 days	Total
Expected credit loss rate	%	-	1.00	2.00	3.50	15.00	100.00	
Gross carrying amount	€	19,617	2,710	6,490	-	6,490	-	35,307
Lifetime expected credit loss	€	-	27	130	-	974	-	1,131

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

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

	2022	2021
	€	€
Authorised		
1,715,875 Ordinary shares of €1 each	1,715,875	4,215,875
Called up issued and fully paid-up		
1,715,875 Ordinary shares of €1 each	1,715,875	4,215,875

15. Reserves

Revaluation reserve

	2022 €	2021 €
At 1st January	14,799,920	14,799,920
At 31st December	14,799,920	14,799,920

The revaluation reserve 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

	2022 €	2021 €
At 1st January	2,938,013	2,938,013
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 8 to these financial statements.

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

Share issue costs reserve

	2022 €	2021 €
At 1st January	(100,340)	(100,340)
Costs incurred on issue of shares	-	-
At 31st December	(100,340)	(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

		2022 €	2021 €
Falling due within one year:			
Bank overdraft	*Note*	136,775	122,015
Bank loan	*Note*	158,019	319,439
Loan from parent	*Note*	150,601	66,465
Short-term borrowings		445,395	507,919
Falling due in between two and five years:			
Bank loan	*Note*	251,054	269,561
Falling due in five years or more:			
Loan from parent	*Note*	6,189,823	3,689,823
Long-term borrowings		6,440,877	3,959,384

Bank overdraft
At 31st December 2022 the company had a bank overdraft facility of €200,000. This facility is secured by a general hypothec over the company's assets, a special hypothec over the company's immovable property, a general hypothecary guarantee over directors' assets and by pledges over various insurance policies.

Bank loan
At 31st December 2022 the company had a bank loan facility of €409,073, repayable in monthly instalments of €14,039. This facility is secured by a general hypothec over the company's assets, a general hypothecary guarantee over directors' assets, a special hypothec over the company's immovable property, and by a guarantee provided by the Malta Development Bank (MDB).

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

The increase in the amount of the loan arose from the reduction in the issued share capital of Sea Pebbles Limited which was converted to a loan from the parent company.

17. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2022 €	2021 €
Excess of capital allowances over depreciation	196,654	205,793
Unabsorbed tax losses and capital allowances	(367,678)	(219,175)
Effect due to tax treatment of bond costs	57,361	60,873
Effect due to tax treatment of finance leases	(6)	(110)
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
	2,147,871	2,308,921

Movements on the provision for deferred taxation are:

	2022 €	2021 €
At 1st January	2,308,921	2,412,667
Recognised in profit or loss:		
Movement in the excess of capital allowances over depreciation	(9,139)	866
Movement in absorbed tax losses and capital allowances	(148,503)	(101,132)
Effect due to tax treatment of bond costs	(3,512)	(3,512)
Effect due to tax treatment of finance leases	104	32
Effect due to fair value movement of investment property	-	-
Effect of tax losses surrendered by group companies	151,102	-
Recognised in other comprehensive income:		
Charged by group companies:		
Recharge of tax losses surrendered by group companies	(151,102)	-
At 31st December	2,147,871	2,308,921

Effect recognised in:		
Deferred tax movements recognised in profit or loss (Note 7)	(9,948)	(103,746)
Deferred tax movements recognised in equity	-	-
Charged by group companies	(151,102)	-
	(161,050)	(103,746)

18. Trade and other payables

		2022	2021
		€	€
Trade payables		99,985	131,960
Amounts owed to related parties	*Note*	40,238	5,190
Indirect taxes		124,787	48,752
Deposits received		26,276	-
Accruals		30,470	45,446
		321,756	231,348

Amounts owed to related parties
These amounts are unsecured, interest free and have no fixed date of repayment.

19. Current tax payable

	2022	2021
	€	€
The tax provision is made up of :		
Balance at beginning of year	159,721	172,930
Provision for the year	7,650	-
Final tax paid	(7,650)	-
Settlement tax paid	(44,127)	(13,209)
Balance at end of year	115,594	159,721

Tax repayment agreement
The company has entered into an agreement with the Office of the Commissioner for Revenue to repay this balance in monthly instalments of €9914.

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 two payments of bond interest, amounting to €480,000 each, that were due in May 2020 and May 2021 were paid on their due date. The Issuer is obliged to pay bond interest annually, for the next eight years, until the date of redemption of the bond in May 2029.

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

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

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

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

Third party creditor
The Company is standing as surety against the debt of a third party for the value of €420,000 (originally €1,050,000), secured by immovable property owned by the company. This debt is repayable by the third party in four 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 11, 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 2022 and 31st December 2021, 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 out at arm's length. The related party transactions in question were:

	2022 €	2021 €
Other operating income		
Commonly controlled entity		
Rental income	25,000	-
Service charge receivable	5,500	5,500
	30,500	5,500
Administrative expenses		
Ultimate parent		
Management expenses	94,200	56,520
Finance costs		
Parent		
Interest on loan	295,186	295,186
Other transactions		
Group company		
Recharge of tax losses surrendered	151,102	-
	540,488	351,706

23. Events after the reporting period

On 20th February 2023 the Group acquired the fully-owned subsidiary Med Asia Operations Ltd. (C103605). Subsequently, Med Asia Operations Ltd. has entered into an agreement to acquire certain catering operations previously carried out by related companies outside the SP Finance p.l.c. group, namely the MedAsia Fusion Lounge in Sliema, the MedAsia Playa in Sliema, The MedAsia Golden Sands in Golden Bay, the Noodle Box in Sliema and all the bar and restaurant venues located in the Pebbles Resort in St. Paul's Bay.

The acquisition price, which was determined by an independent expert, will be satisfied through the allotment of additional shares to the Company's current shareholders.

24. Ultimate controlling party

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

25. Consolidated financial statements

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

SEA PEBBLES LIMITED

Detailed Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2022

	2022		2021	
	€	€	€	€
Revenue		1,251,833		721,871
Cost of sales				
Direct costs	780,738		479,408	
		(780,738)		(479,408)
Gross profit		471,095		242,463
Administrative expenses				
Management expenses	94,200		56,520	
Licences and permits	4,891		2,645	
Insurance	6,086		6,496	
Legal and professional	633		20,508	
Accountancy fees	4,556		6,570	
Audit fees	5,400		4,800	
Penalties	51		508	
Depreciation on property, plant and equipment	162,419		173,716	
Depreciation on right-of-use assets	3,408		3,408	
Profit on disposal of property plant and equipment	(29,000)		-	
		(252,644)		(275,171)
		218,451		(32,708)
Other operating income				
Rental income from restaurants	52,559		27,552	
Service charge receivable	5,500		5,500	
Profit on sale of property	153,000		-	
		211,059		33,052
Operating profit		429,510		344
Finance costs				
Interest on bank overdraft	6,516		6,088	
Interest on bank loan	6,276		2,280	
Related party loan interest	295,186		295,186	
Other interest payable	15,663		16,653	
Lease finance charges and hire purchase interest	890		1,099	
		(324,531)		(321,306)
Profit/(loss) on ordinary activities before taxation		104,979		(320,962)