

# **SP FINANCE p.l.c**

**No. 89, The Strand,  
Sliema,  
Malta.**

***Co. Registration No. C-89462***

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Ref: SPF - 57

## **COMPANY ANNOUNCEMENT**

The following is a company announcement issued by 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 31<sup>st</sup> December 2023, have been approved by the Board of Directors of Sea Pebbles Limited and are attached to the present Company Announcement. The financial statements are 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*



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Dr. Andrea Micallef  
Company Secretary  
29<sup>th</sup> April 2024

Registration Number C 6138

**SEA PEBBLES LIMITED**

**Report and Financial Statements**

**for the year ended 31st December 2023**

# SEA PEBBLES LIMITED

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# SEA PEBBLES LIMITED

## Directors' Report

for the year ended 31st December 2023

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<b>Directors</b>	Joseph Casha Josephine Casha
<b>Registered address</b>	89 The Strand Sliema

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The directors present their report and the audited financial statements for the year ended 31st December 2023.

### Principal activity

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

### Business review

The profit for the year amounted to €725,877 (2022 : Profit of €107,277). The revenue for the year amounted to €1,454,966 (2022 : €1,251,833).

The profit for the year includes:

- a one-off profit on sale of intellectual property to another Group company amounting to €941,856.
- a loss on disposal of property, plant and equipment relating to furniture and equipment which will be disposed since the hotel will be rebuilt and refurbished starting January 2024, amounting to €618,810.

The results from operations attained in 2023 are better than those attained in 2022. This is in line with the projections made in last year's Directors' Report. During 2023 the company generated a gross profit of €534,593 (2022 : €471,095), and an operating profit of €626,909 (2022 : €429,510).

### 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 early January 2024 the company embarked on a project to transform the Pebbles Boutique Aparthotel in Sliema from a 54-room 3-star hotel to a 110 units / 300-bed 3-star hotel and self-catering apartments. The project is expected to be completed in the third quarter of 2025 and will permit the company to fully exploit the business potential of this prime site on the Sliema - Gzira seafront.

# SEA PEBBLES LIMITED

## Directors' Report

for the year ended 31st December 2023

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### 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.

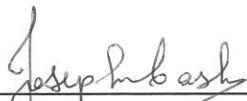
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding 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 26th April 2024, and signed on its behalf by:

  
\_\_\_\_\_  
Joseph Casha  
Director

  
\_\_\_\_\_  
Josephine Casha  
Director



**Steven Galea  
and Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**  
To the Members of Sea Pebbles Limited

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**Opinion**

We have audited the accompanying financial statements of Sea Pebbles Limited, which comprise the Statement of Financial Position as at 31st December 2023, 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 2023 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. The assessment includes events and conditions which 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.

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



**Steven Galea  
and Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

To the Members of Sea Pebbles Limited

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

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## Steven Galea and Associates

CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditors' Report

To the Members of Sea Pebbles Limited

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- 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.

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Steven Galea

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

**Date : 26th April 2024**



## SEA PEBBLES LIMITED

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2023

	Notes	2023 €	2022 €
<b>Revenue</b>	2	1,454,966	1,251,833
Cost of sales		(920,373)	(780,738)
<b>Gross profit</b>		534,593	471,095
Administrative expenses		(746,440)	(86,817)
Other operating income	4	60,763	58,059
Profit on sale of property, plant and equipment		-	153,000
Profit on sale of intellectual property		941,856	-
<b>Earnings before interest, tax and depreciation</b>		790,772	595,337
Depreciation		(163,863)	(165,827)
<b>Operating profit</b>	5	626,909	429,510
Dividends receivable		422,308	-
Finance costs	6	(436,815)	(324,531)
<b>Profit before taxation</b>		612,402	104,979
Income tax	7	113,475	2,298
<b>Profit for the year</b>		725,877	107,277
<b>Total comprehensive income</b>		725,877	107,277

The notes on pages 11 to 40 form an integral part of these financial statements.

# SEA PEBBLES LIMITED

## Statement of Financial Position

at 31st December 2023

		2023	2022
	Notes	€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	460	-
Property, plant and equipment	11	21,221,241	22,000,505
Investment property	10	6,004,491	6,004,491
Right-of-use assets	12	10,221	13,629
Investment in subsidiary	8	1,200	-
		<u>27,237,613</u>	<u>28,018,625</u>
<b>Current assets</b>			
Trade and other receivables	14	1,822,806	348,409
Other financial assets at amortised cost	13	349,725	499,485
Current tax recoverable	15	32,214	-
Cash at bank and in hand	16	92,496	68,496
		<u>2,297,241</u>	<u>916,390</u>
<b>Total assets</b>		<u><u>29,534,854</u></u>	<u><u>28,935,015</u></u>

The notes on pages 11 to 40 form an integral part of these financial statements.

# SEA PEBBLES LIMITED

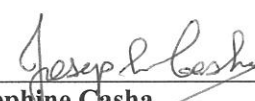
## Statement of Financial Position

at 31st December 2023

	Notes	2023 €	2022 €
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up issued share capital	17	1,715,875	1,715,875
Revaluation reserve	18	14,799,920	14,799,920
Other reserves	18	2,837,673	2,837,673
Retained earnings		822,284	96,407
<b>Total equity</b>		<u>20,175,752</u>	<u>19,449,875</u>
<b>Non-current liabilities</b>			
Long-term borrowings	19	6,278,067	6,440,877
Deferred taxation	20	2,034,396	2,147,871
Lease liabilities	12	5,556	9,718
		<u>8,318,019</u>	<u>8,598,466</u>
<b>Current liabilities</b>			
Short-term borrowings	19	675,396	445,395
Trade and other payables	21	361,525	321,756
Current tax payable	15	-	115,594
Lease liabilities	12	4,162	3,929
		<u>1,041,083</u>	<u>886,674</u>
<b>Total liabilities</b>		<u>9,359,102</u>	<u>9,485,140</u>
<b>Total equity and liabilities</b>		<u>29,534,854</u>	<u>28,935,015</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26th April 2024, and signed on its behalf by:

  
\_\_\_\_\_  
Joseph Casha  
Director

  
\_\_\_\_\_  
Josephine Casha  
Director

The notes on pages 11 to 40 form an integral part of these financial statements.

## SEA PEBBLES LIMITED

### Statement of Changes in Equity for the year ended 31st December 2023

	Called-up issued share capital €	Revaluation reserve €	Retained earnings €	Share issue costs reserve €	Fair value gain reserve €	Total €
<b>At 1st January 2022</b>	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
Transfer against interest on loan from parent	-	-	-	-	-	-
Other movements	(2,500,000)	-	-	-	-	(2,500,000)
<b>At 31st December 2022</b>	1,715,875	14,799,920	96,407	(100,340)	2,938,013	19,449,875
Profit for the year	-	-	725,877	-	-	725,877
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	725,877	-	-	725,877
<b>At 31st December 2023</b>	1,715,875	14,799,920	822,284	(100,340)	2,938,013	20,175,752

# SEA PEBBLES LIMITED

## Statement of Cash Flows

for the year ended 31st December 2023

	2023	2022
	€	€
<b>Cash flows from operating activities</b>		
Operating profit	626,909	429,510
Adjustments for:		
Recharge of surrendered losses from group companies	-	(151,102)
Depreciation	163,863	165,827
Profit on disposal of property plant and equipment	(323,046)	(182,000)
	<u>467,726</u>	<u>262,235</u>
Working capital changes:		
Movement in trade and other receivables	(1,324,637)	(4,502)
Movement in trade and other payables	241,006	174,544
Cash flows from operations	(615,905)	432,277
Interest paid	(436,815)	(324,531)
Dividends received	422,308	-
Taxation paid	(147,808)	(51,777)
Net cash flows from operating activities	<u>(778,220)</u>	<u>55,969</u>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	(460)	-
Acquisition of property, plant and equipment	-	(15,993)
Proceeds from disposal of property, plant and equipment	941,856	182,000
Net cash flows from investing activities	<u>941,396</u>	<u>166,007</u>
<b>Cash flows from financing activities</b>		
Movement in shareholders' loan	-	2,500,000
Payment bank loans	(157,846)	(179,927)
Payment of lease liability	(3,930)	(3,706)
Reduction of share capital	-	(2,500,000)
Net cash flows from financing activities	<u>(161,776)</u>	<u>(183,633)</u>
<b>Movement in cash and cash equivalents</b>	<u>1,400</u>	<u>38,343</u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Movement in cash and cash equivalents	1,400	38,343
Cash and cash equivalents at start of year	(68,279)	(106,622)
Cash and cash equivalents at end of year	<u>(66,879)</u>	<u>(68,279)</u>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	92,496	68,496
Bank overdraft	(159,375)	(136,775)
	<u>(66,879)</u>	<u>(68,279)</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### 1. General information

Sea Pebbles Limited is a limited liability company incorporated in Malta. The principal activity 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 2023 show a marked improvement over the results obtained in the prior year and over the projections for the year. Gross accommodation revenue reached €1,454,966, which represents a 16% increase over the figure of €1,251,833 achieved in 2022 and a 6% increase over the projected gross accommodation revenue for 2023.

The positive financial results for 2023 resulted in improvements in the company's gearing, liquidity and other relevant accounting ratios.

With a view to determining the appropriateness of preparing the financial statements on a going concern basis, the directors requested management to prepare realistic yet prudent financial projections for 2024 and beyond, by considering the following relevant matters, among others:

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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- The loss of accommodation revenue from the Pebbles Boutique Aparthotel for approximately twenty months while it is being transformed into a much larger hotel that is expected to reopen in the third quarter of 2025.
- The capital expenditure that will be spent in connection with this project.
- The additional income from the catering business undertaken by the company's subsidiary arising from the fact that during the whole of 2024 the relevant income will accrue to the Group while in 2023 this business was taken over on 1 April 2023.
- The very encouraging revenue achieved by Pebbles Resort Limited (another company within the Group) in the first quarter of 2024 and the solid bookings for the rest of the year, which augur well for significantly improved results compared to the already excellent results achieved in 2023.
- The fact that negotiations with a local bank to finance a portion of the Sliema project and refinance other loans are at an advanced stage and though the relevant sanction letter has not yet been issued, this is expected to be in place in the coming months.
- A payment program with certain privileged creditors is currently being finalized and based on informal indications, the terms are not unduly onerous on the Group.
- The timing of repayments by related companies outside the Group depends on the conclusion of promises of sale of properties that are already in place.

The Directors are conscious that any financial projections presented to it include judgements and assumptions which at this stage remain subject to a material degree of underlying uncertainty, both in view of general risks as well as risks that are specific to the company and the sectors in which it operates.

Following a detailed evaluation of the judgements and assumptions taken into account in the preparation of these financial projections, these were considered to be realistic yet prudent and were thus adopted by the Board.

The directors concluded that the company is likely to generate sufficient financial resources through its operations and external sources as to permit it to continue in operational existence for the foreseeable future.

Accordingly, based on the outcome of the financial 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 2023 financial statements.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### **New and revised standards that are issued but not yet effective**

A number of new accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

#### *Classification of Liabilities as Current of Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)*

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosure for non-current liabilities that are subject to future covenants. The amendment apply for annual reporting periods beginning on or after 1 January 2024.

The Company is in the process of assessing the potential impact of the amendments on the classification of these liabilities and related disclosures.

#### *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

The Company is in the process of assessing the impact of the amendments, particularly with respect to the collation of additional information needed to meet the new disclosure requirements.

#### *Other accounting standards*

The following new and amended accounting standards are not expected to have a significant impact on the Company's financial statements.

- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Lack of Exchangeability (Amendments to IAS 21)*



# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### **New and revised standards that are effective for the current period**

In the current year, 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 EU did not result in substantial changes to the company's accounting policies.

#### *Material accounting policy information*

The Company adopted Disclosure of Accounting Policies (Amendments to International accounting standards (IAS) 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes into the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

#### *Deferred tax related to assets and liabilities arising from a single transaction*

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that gives rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening of the retained earnings as at 1 January 2022 as a result of the change. The key impact for the Company relates to disclosure of the deferred tax assets and liabilities recognised.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *Global minimum top-up tax*

The Company has adopted International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosure about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Company's financial statements.

### *Intangible assets*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### *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 fittings	-	5%
Equipment	-	10%
Motor vehicles	-	20%
Computer equipment	-	25%

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *Financial assets*

Financial assets are recognised when the entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised 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.

Investments in subsidiaries are stated at cost less impairment losses.

Financial assets at amortised cost are financial assets that meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is not material. The entity's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

### *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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *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 14 for a detailed analysis of how the impairment requirements are applied.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *Leases and hire purchase commitments*

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

#### As a lessee

At the commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the lease of property the Company has elected not to separate non-lease components and account for lease and non-lease components as a single lease component.

The Company recognises right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those property and equipment. In addition the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining the interest rate from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:  
fixed payments, including in-substance fixed payments;  
variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;  
amounts expected to be payable under a residual value guarantee; and  
the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, the penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost under the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

### *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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *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**

	2023	2022
	€	€
Rental income from restaurants	55,263	52,559
Service charge receivable	5,500	5,500
	<u>60,763</u>	<u>58,059</u>

## SEA PEBBLES LIMITED

### Notes to the Financial Statements for the year ended 31st December 2023

#### 5. Operating profit

	2023	2022
	€	€
Operating profit is stated after charging:		
Staff costs	<i>Note</i> 249,376	204,071
Directors' remuneration	<i>Note</i> 121,025	120,000
Depreciation	163,863	165,827
Loss on disposal of property plant and equipment	618,810	-
Auditors' remuneration	11,000	5,400
	<u>          </u>	<u>          </u>
and after crediting:		
Profit on sale of intellectual property	941,856	-
Profit on disposal of property plant and equipment	-	29,000
	<u>          </u>	<u>          </u>

#### *Staff costs*

	2023	2022
	€	€
Wages and salaries (including directors' remuneration)	349,500	308,315
Social security costs	20,901	15,756
	<u>          </u>	<u>          </u>
	370,401	324,071
Government assistance	-	(47,276)
	<u>          </u>	<u>          </u>
	370,401	276,795
	<u>          </u>	<u>          </u>

#### *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.

	2023	2022
<b>Number of employees</b>		
The average number of employees (including the directors) during the year was:	<u>          </u>	<u>          </u>
	17	15
	<u>          </u>	<u>          </u>



# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 6. Finance costs

	2023	2022
	€	€
Interest on bank overdraft	7,786	6,516
Interest on bank loan	10,188	6,276
Interest on related party loans	402,338	295,186
Lease finance charges and hire purchase interest	668	890
Other interest	15,835	15,663
	<u>436,815</u>	<u>324,531</u>

### 7. Income tax

	2023	2022
	€	€
Malta Income Tax :		
Current - for the year	-	7,650
Deferred	(113,475)	(9,948)
Tax credit for the year	<u>(113,475)</u>	<u>(2,298)</u>

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

	2023	2022
	€	€
Profit before taxation	<u>612,402</u>	<u>104,979</u>
Tax thereon at 35%	214,341	36,743
Tax effect of permanent differences	(323,948)	(35,362)
Maintenance allowance on rental income	(3,868)	(3,679)
Tax credit for the year	<u>(113,475)</u>	<u>(2,298)</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 8. Investment in subsidiary

	<b>Shares in subsidiaries €</b>	<b>Total €</b>
<b>Cost</b>		
At 1st January 2023	-	-
Additions	<i>Note</i> 1,200	1,200
At 31st December 2023	<u>1,200</u>	<u>1,200</u>

On 20 February 2023, the Company acquired 1,200 100% paid up Ordinary shares of €1 each, being 100% of the initial share capital of Med Asia Operations Ltd.

Investments in subsidiaries are accounted for at cost less impairment losses, as stated in the company's accounting policies. Dividends from investment in subsidiaries are recognized in profit or loss as disclosed in the accounting policies Note 2.

Shares in subsidiaries represent the following investment:

	<b>Registered address</b>	<b>Principal activity</b>	<b>2023 % holding</b>
Med Asia Operations Ltd	90, The Strand, Sliema	Operation of restaurant, bars and lidos	100%

### 9. Intangible assets

	<b>Trademark €</b>	<b>Total €</b>
<b>Cost</b>		
Additions	460	460
At 31st December 2023	<u>460</u>	<u>460</u>
<b>Net book value</b>		
At 31st December 2023	<u>460</u>	<u>460</u>
At 31st December 2022	<u>-</u>	<u>-</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### 10. Investment property

	2023	2022
	€	€
At 1st January	6,004,491	6,004,491
Additions	-	-
Revaluation	-	-
At 31st December	<u>6,004,491</u>	<u>6,004,491</u>

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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 11. Property, plant and equipment

	Land and buildings	Motor vehicles	Equipment	Electrical installation	Furniture and fittings	Computer equipment	Total
	€	€	€	€	€	€	€
<b>Cost/revaluation</b>							
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
At 1st January 2023	21,845,479	3,400	506,420	233,477	1,251,283	11,344	23,851,403
Disposals	-	-	(506,420)	(233,477)	(1,251,283)	-	(1,991,180)
At 31st December 2023	21,845,479	3,400	-	-	-	11,344	21,860,223
<b>Depreciation</b>							
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
At 1st January 2023	567,269	3,400	422,863	167,536	680,816	9,014	1,850,898
Charge for the year	57,980	-	21,095	20,250	59,811	1,319	160,455
On disposals	-	-	(443,958)	(187,786)	(740,627)	-	(1,372,371)
At 31st December 2023	625,249	3,400	-	-	-	10,333	638,982
<b>Net book value</b>							
At 31st December 2023	21,220,230	-	-	-	-	1,011	21,221,241
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

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### 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.

	2023	2022
	€	€
Land and buildings	<u>4,539,910</u>	<u>4,597,890</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### 12. Leases

Leases as lessee

The Company leases a lift. The lease typically run for a period of 7 years.

Information about the lease for which the Company is a lessee is presented below.

(i) Amounts recognised in the Statement of Financial Position

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

#### Right-of-use assets

	2023	2022
	€	€
Balance at 1 January	13,629	17,037
Depreciation charge for the year	(3,408)	(3,408)
	<u>10,221</u>	<u>13,629</u>

#### Lease liabilities

	2023	2022
Remaining maturities of lease liabilities		
Less than 1 year	4,162	3,929
Between 1 and 5 years	5,556	9,718
More than 5 years	-	-
	<u>9,718</u>	<u>13,647</u>

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

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

	2023	2022
	€	€
Depreciation charge of right-of-use assets		
Lift	3,408	3,408
Interest expense (included in finance cost)	<u>668</u>	<u>890</u>

The total cash outflow for leases in 2023 was €4,597 (2022: €4,597).

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 13. Other financial assets at amortised cost

	2023	2022
	€	€
<b>Non-Current:</b>		
Amounts due by commonly controlled entity	<i>Note</i> -	-
<b>Current:</b>		
Amounts due by commonly controlled entity	<i>Note</i> 349,725	499,485
	<u>349,725</u>	<u>499,485</u>

#### *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.

### 14. Trade and other receivables

	2023	2022
	€	€
Trade receivables	<i>Note 25</i> 6,490	35,307
Amounts owed by the ultimate parent	90,949	-
Amounts owed by related parties	1,662,891	241,164
Other receivables	6,390	6,390
Financial assets	<u>1,766,720</u>	<u>282,861</u>
Prepayments	2,572	2,000
Unamortised bond issue costs	53,514	63,548
	<u>1,822,806</u>	<u>348,409</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 15. Current tax recoverable

	2023	2022
	€	€
The tax provision is made up of :		
Balance at beginning of year	(115,594)	(159,721)
Provision for the year	-	(7,650)
Settlement tax paid	-	44,127
Tax paid at source	147,808	-
Balance at end of year	<u>32,214</u>	<u>(123,244)</u>

### 16. 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.

### 17. Called up issued share capital

	2023	2022
	€	€
<b>Authorised</b>		
1,715,875 Ordinary shares of €1 each	<u>1,715,875</u>	<u>1,715,875</u>
<b>Called up issued and fully paid-up</b>		
1,715,875 Ordinary shares of €1 each	<u>1,715,875</u>	<u>1,715,875</u>

### 18. Reserves

#### *Revaluation reserve*

	2023	2022
	€	€
At 1st January	<u>14,799,920</u>	<u>14,799,920</u>
At 31st December	<u>14,799,920</u>	<u>14,799,920</u>

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



# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

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### *Fair value gain reserve*

	2023	2022
	€	€
At 1st January	2,938,013	2,938,013
At 31st December	<u>2,938,013</u>	<u>2,938,013</u>

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 10 to these financial statements.

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

### *Share issue costs reserve*

	2023	2022
	€	€
At 1st January	(100,340)	(100,340)
Costs incurred on issue of shares	-	-
At 31st December	<u>(100,340)</u>	<u>(100,340)</u>

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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

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### 19. Borrowings

	2023	2022
	€	€
<b>Falling due within one year:</b>		
Bank overdraft	<i>Note</i> 159,375	136,775
Bank loan	<i>Note</i> 162,983	158,019
Loan from parent	<i>Note</i> 353,038	150,601
<b>Short-term borrowings</b>	<u>675,396</u>	<u>445,395</u>
<b>Falling due in between two and five years:</b>		
Bank loan	<i>Note</i> 88,244	251,054
<b>Falling due in five years or more:</b>		
Loan from parent	<i>Note</i> 6,189,823	6,189,823
<b>Long-term borrowings</b>	<u>6,278,067</u>	<u>6,440,877</u>

#### *Bank overdraft*

At 31st December 2023 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 2023 the company had a bank loan facility of €251,227, repayable in monthly instalments of €14,039. This facility is secured by a general hypothec over the company's assets, a general hypothec 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 2023, the interest rate on this loan was reduced to 6.5% per annum. Any loans from the parent falling due within one year remain interest-free.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 20. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2023	2022
	€	€
Excess of capital allowances over depreciation	48,883	196,654
Unabsorbed tax losses and capital allowances	(330,053)	(367,678)
Effect due to tax treatment of bond costs	53,849	57,361
Effect due to tax treatment of finance leases	177	(6)
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
	<u>2,034,396</u>	<u>2,147,871</u>

Movements on the provision for deferred taxation are:

	2023	2022
	€	€
<b>At 1st January</b>	2,147,871	2,308,921
<i>Recognised in profit or loss:</i>		
Movement in the excess of capital allowances over depreciation	(147,771)	(9,139)
Movement in absorbed tax losses and capital allowances	37,625	(148,503)
Effect due to tax treatment of bond costs	(3,512)	(3,512)
Effect due to tax treatment of finance leases	183	104
<b>At 31st December</b>	<u>2,034,396</u>	<u>2,147,871</u>
Effect recognised in:		
Deferred tax movements recognised in profit or loss (Note 7)	<u>(113,475)</u>	<u>(161,050)</u>
	<u>(113,475)</u>	<u>(161,050)</u>

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 21. Trade and other payables

	2023	2022
	€	€
Trade payables	89,229	99,985
Amounts owed to related parties	<i>Note</i> -	40,238
Indirect taxes	227,591	124,787
Deposits received	-	26,276
Accruals	44,705	30,470
	<u>361,525</u>	<u>321,756</u>

#### *Amounts owed to related parties*

These amounts are unsecured, interest free and have no fixed date of repayment.

### 22. 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 LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

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### *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.

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

## 23. Related parties

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 were;

	Transaction values for the year ended		Balance outstanding as at 31st December	
	2023	2022	2023	2022
	€	€	€	€
<b>Other operating income</b>				
<i>Commonly controlled entity</i>				
Service charge receivable	5,500	5,500	-	-
Rental income	7,500	17,500	34,508	20,650
<i>Group company</i>				
Rental income	22,500	-	26,550	-

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### Administrative expenses

#### Ultimate parent

Management fee	94,200	94,200	(146,204)	(111,156)
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### Loan and related interest

#### Parent

Proceeds	-	2,500,000	(6,189,823)	(6,189,823)
Interest on loan	402,338	295,186	(552,939)	(361,651)

### Advances to (from) related parties

#### Commonly controlled entity

	(154,807)	(147,464)	350,192	504,507
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#### Group company

	174,708	292,152	385,009	361,403
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#### Parent

	199,901	211,050	199,901	211,050
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#### Ultimate parent

	237,153	69,500	237,153	76,108
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### Other transactions

#### Group company

Recharge of tax losses surrendered	-	151,102	-	(151,102)
Sale of intellectual property	941,856	-	941,856	-

### Dividend income

#### Group company

	422,307	-	274,500	-
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### Tax at source (dividend income)

#### Group company

	(147,807)	-	-	-
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### Total

			(4,439,297)	(5,640,014)
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All outstanding balances with these related parties are priced on an arms length basis and are to be settled in cash. None of the balances are secured. No expense has been recognised in the current and prior year for bad or doubtful debt in respect of amounts owed by related parties.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

### 24. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2023	Note	Carrying amount		
		Financial assets at amortised cost €	Other financial Liabilities €	Total €
Financial assets not measured at fair value				
		2,116,445		2,116,445
		92,496		92,496
		2,208,941		2,208,941
Financial liabilities not measured at fair value				
			7,280,001	7,280,001
			7,280,001	7,280,001

\*Other receivables that are not financial assets (prepayments -€ 2,572 and unamortized bond issue costs € 53,514) are not included.

\*\*Other payables that are not financial liabilities (accruals - €44,705) are not included.

31 December 2022	Note	Carrying amount		
		Financial assets at amortised cost €	Other financial Liabilities €	Total €
Financial assets not measured at fair value				
		782,346		782,346
		68,496		68,496
		850,842		850,842
Financial liabilities not measured at fair value				
			7,306,799	7,306,799
			7,306,799	7,306,799

\*Other receivables that are not financial assets (prepayments -€ 2,000 and unamortized bond issue costs € 63,548) are not included.

\*\*Other payables that are not financial liabilities (accruals - €30,470) are not included.

### 25. 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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

### *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 13 14 and 16.

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.

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 and other receivables was determined as follows:

<b>31 December 2023</b> <i>in €</i>	<b>Expected credit loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime expected credit loss</b>	<b>Credit - impaired</b>
Current (not past due)	-	-	-	No
31-60 days past due	1%	-	-	No
61-90 days past due	2%	6,490	130	No
91-180 days past due	3.5%	-	-	No
181-365 days past due	15%	-	-	No
More than 365 days past due	100%	-	-	No
		6,490	130	



# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

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31 December 2022 <i>in €</i>	Expected credit loss rate	Gross carrying amount	Lifetime expected credit loss	Credit - impaired
Current (not past due)	-	19,617	-	No
31-60 days past due	1%	2,710	27	No
61-90 days past due	2%	6,490	130	No
91-180 days past due	3.5%	-	-	No
181-365 days past due	15%	6490	974	No
More than 365 days past due	100%	-	-	No
		35,307	1,131	

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

### *Amounts owed by related parties*

The probability of default on exposures from amounts owed by a related party is substantially low for the Company. The related parties of the Company operates in a strong jurisdiction.

During the year, there were no events that potentially indicate that there was a significant increase in credit risk associated to the Company's debtors, and therefore, the resultant ECL on amounts owed by a related party is considered insignificant.

### *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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements for the year ended 31st December 2023

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2023 in €	Carrying amount	Contractual cash flows				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank overdrafts	159,375	159,375	159,375	-	-	-
Secured bank loans	251,227	251,227	162,983	88,244	-	-
Unsecured loan from parent	6,542,861	6,542,861	353,038	-	-	6,189,823
Lease liabilities	9,718	9,718	4,162	5,556	-	-
Trade and other payables*	316,820	316,820	316,820	-	-	-
	7,280,001	7,280,001	996,378	93,800	-	6,189,823

\*Other payables that are not financial liabilities (accruals - €44,705) are not included.

31 December 2022 in €	Carrying amount	Contractual cash flows				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Bank overdrafts	136,775	136,775	136,775	-	-	-
Secured bank loans	409,073	409,073	158,019	162,988	88,066	-
Unsecured loan from parent	6,340,424	6,340,424	150,601	-	-	6,189,823
Lease liabilities	13,647	13,647	3,929	4,162	5,556	-
Trade and other payables*	406,880	406,880	406,880	-	-	-
	7,306,799	7,306,799	856,204	167,150	93,622	6,189,823

\*Other payables that are not financial liabilities (accruals - €30,470) are not included.

### Foreign currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of related companies. The functional currencies of Group Companies are primarily the Euro. The currencies in which these transactions are primarily denominated is Euro.

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.

# SEA PEBBLES LIMITED

## Notes to the Financial Statements

for the year ended 31st December 2023

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### *Technology risk*

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure.

### **26. Events after the reporting period**

In early January 2024 the company embarked on a project to transform the Pebbles Boutique Aparthotel in Sliema from a 54-room 3-star hotel to a 110 units / 300-bed 3-star hotel and self-catering apartments. The project is expected to be completed in the third quarter of 2025 and will permit the company to fully exploit the business potential of this prime site on the Sliema - Gzira seafront.

### **27. 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.

### **28. Consolidated financial statements**

The company is exempt from the requirements to prepare consolidated financial statements on the grounds that it is wholly-owned subsidiary of the group's ultimate parent company, SP Finance Plc, which draws up consolidated financial statements for the group, as per the criteria laid down on Section 174 of the Companies Act, 1995.

SP Finance Plc is a limited liability company incorporated in Malta, with its registered office at 89, The Strand, Sliema.

# SEA PEBBLES LIMITED

## Detailed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2023

	2023		2022	
	€	€	€	€
<b>Revenue</b>		1,454,966		1,251,833
<b>Cost of sales</b>				
Direct costs		(920,373)		(780,738)
<b>Gross profit</b>		<u>534,593</u>		<u>471,095</u>
<b>Administrative expenses</b>				
Management expenses	94,200		94,200	
Licences and permits	4,794		4,891	
Insurance	7,606		6,086	
Professional fees	2,335		633	
Accountancy fees	6,465		4,556	
Audit fees	11,000		5,400	
Penalties	1,230		51	
Depreciation on property, plant and equipment	160,455		162,419	
Depreciation on right-of-use assets	3,408		3,408	
Profit on disposal of property plant and equipment	-		(29,000)	
Loss on disposal of property plant and equipment	618,810		-	
		<u>(910,303)</u>		<u>(252,644)</u>
		(375,710)		218,451
<b>Other operating income</b>				
Rental income from restaurants	55,263		52,559	
Service charge receivable	5,500		5,500	
Profit on sale of property	941,856		153,000	
		<u>1,002,619</u>		<u>211,059</u>
<b>Operating profit</b>		<u>626,909</u>		<u>429,510</u>
<b>Investment income</b>				
Dividend income	422,308		-	
		<u>422,308</u>		<u>-</u>
<b>Finance costs</b>				
Interest on bank overdraft	7,786		6,516	
Interest on bank loan	10,188		6,276	
Related party loan interest	402,338		295,186	
Other interest payable	15,835		15,663	
Lease finance charges	668		890	
		<u>(436,815)</u>		<u>(324,531)</u>
<b>Profit on ordinary activities before taxation</b>		<u><u>612,402</u></u>		<u><u>104,979</u></u>

This page does not form part of the statutory financial statements.