PHOENICIA

Combined Financial Statements

31 December 2018

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INDEPENDENT AUDITOR'S REPORT

to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited (formerly (Cuffe) Malta Limited and Phoenicia Finance Company p.l.c.

Qualified Opinion

We have audited the combined financial statements of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company p.l.c. together referred to as 'the Reporting entity', set on pages 5 to 37, which comprise the combined statements of financial position as at 31 December 2018, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the Reporting entity's combined financial statements give a true and fair view of the combined financial position of the Reporting entity as at 31 December 2018, and of its combined financial performance and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for Qualified Opinion

As disclosed in note 3.1, the accounting policy of the Reporting entity is to carry its Land and buildings within Property, plant and equipment at the revalued amount with changes recognized in other comprehensive income for the year. As at 31 December 2016, the Reporting entity was undergoing a development project and the carrying value of its Land and Buildings was not re-assessed using valuation techniques provided in IFRS 13 Fair Value Measurement.

The Directors re-assessed the revalued amount of Land and Buildings as at 31 December 2017 based on an independent architect valuation, resulting in an increase in the revalued amount of EUR45 million recognized in the Statement of other comprehensive income for 2017. Since the opening value of the Land and Buildings affected the determination of the effect of changes in the revalued amount and depreciation for 2017, we were unable to determine whether adjustments to the reported changes in the revalued amount and depreciation for 2017 as well as to the retained earnings, revaluation reserve and Land and Building as of 1 January 2017 might be necessary.

Our audit opinion on the combined financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's combined financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Reporting entity in accordance with the 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 combined financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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INDEPENDENT AUDITOR'S REPORT

to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited (formerly (Cuffe) Malta Limited and Phoenicia Finance Company p.l.c. - continued

Responsibilities of the Directors for the combined financial statements

The directors are responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRS and for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the directors are responsible for assessing the Reporting 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 Reporting entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the combined financial statements

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

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

- identify and assess the risks of material misstatement of the combined 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 Reporting entity's internal control.

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

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

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INDEPENDENT AUDITOR'S REPORT

to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited (formerly (Cuffe) Malta Limited and Phoenicia Finance Company p.l.c. - continued

Auditor's responsibilities for the audit of the combined financial statements- continued

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

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

We communicate with 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.

The partner in charge of the audit resulting in this independent auditor's report is Shawn Falzon for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

29 April 2019

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Registered in Malta No: C30252

COMBINED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Revenue	4	**12,933,075**	6,777,145
Cost of sales	5	**(6,954,253)**	(4,856,749)
Gross profit		**5,978,822**	1,920,396
Administrative expenses	5	**(3,050,337)**	(2,081,179)
Selling and marketing expenses	5	**(572,344)**	(466,103)
Operating profit/(loss)	i	**2,356,141**	(626,886)
Finance costs	7	**(5,097,526)**	(1,457,966)
Loss before tax		**(2,741,385)**	(2,084,852)
Income tax credit	8	**645,489**	2,203,009
(Loss)/profit for the year		**(2,095,896)**	118,157
Other comprehensive income for the year not to be reclassified to profit or loss in the future periods			
Revaluation of property, plant and equipment net of tax	8	**-**	38,417,612
Re-estimation of deferred tax liability	8	**1,800,541**	-
Total comprehensive (loss)/income for the year, net of tax		**(295,355)**	38,535,769

The accounting policies and explanatory notes on pages 9 to 37 form an integral part of the combined financial statements.

i. Analysed as:

	2018 EUR	2017 EUR
EBITDA *	**4,672,730**	918,558
Depreciation	**(2,316,589)**	(1,545,444)
Operating profit/(loss)	**2,356,141**	(626,886)

**EBITDA represents earnings before interest, tax, depreciation and amortization (note 5)*

COMBINED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 EUR	2017 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	9	**87,145,815**	86,726,029
Deferred tax asset	10	**2,886,814**	2,203,009
Other receivables	12	**50,000**	50,000
Total non-current assets		**90,082,629**	88,979,038
Current assets			
Inventories	11	**185,784**	209,623
Trade and other receivables	12	**784,988**	735,157
Cash and cash equivalents	13	**2,499,621**	9,832
Total current assets		**3,470,393**	954,612
TOTAL ASSETS		**93,553,022**	89,933,650
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	**13,386**	13,386
Deferred shares	14	**838,574**	838,574
Revaluation Reserve	14	**36,322,568**	34,584,245
Retained earnings	14	**(1,595,481)**	438,197
Total equity		**35,579,047**	35,874,402
Non-current liabilities			
Interest-bearing loans and borrowings	16	**46,045,714**	36,923,226
Deferred tax liability	10	**4,732,987**	6,533,528
Total non-current liabilities		**50,778,701**	43,456,754
Current liabilities			
Trade and other payables	15	**5,009,638**	8,610,589
Interest-bearing loans and borrowings	16	**1,946,351**	1,779,870
Current tax payable		**38,316**	-
Bank overdraft	13	**200,969**	212,035
Total current liabilities		**7,195,274**	10,602,494
Total liabilities		**57,973,975**	54,059,248
TOTAL EQUITY AND LIABILITIES		**93,553,022**	89,933,650

The accounting policies and explanatory notes on pages 9 to 37 form an integral part of the financial statements.

The financial statements on pages 5 to 37 have been authorised for issue by the Board of Directors on 29 April 2019 and signed on its behalf by:

MR. J. P. ELLUL CASTALDI
Director

MR. MARK SHAW
Director

COMBINED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Issued capital EUR	Deferred shares EUR	Revaluation reserve EUR	Retained earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2018					
At 1 January 2018	13,386	838,574	34,584,245	438,197	35,874,402
Loss for the year	-	-	-	(2,095,896)	(2,095,896)
Other comprehensive income for the year	-	-	1,800,541	-	1,800,541
Total comprehensive income	-	-	1,800,541	(2,095,896)	(295,355)
Depreciation transfer for land and buildings	-	-	(62,218)	62,218	-
At 31 December 2018	**13,386**	**838,574**	**36,322,568**	**(1,595,481)**	**35,579,047**
FINANCIAL YEAR ENDED 31 DECEMBER 2017					
At 1 January 2017	13,386	838,574	-	(3,513,327)	(2,661,367)
Profit for the year	-	-	-	118,157	118,157
Other comprehensive income for the year	-	-	38,417,612	-	38,417,612
Total comprehensive income	-	-	38,417,612	118,157	38,535,769
Depreciation transfer for land and buildings	-	-	(3,833,367)	3,833,367	-
At 31 December 2017	**13,386**	**838,574**	**34,584,245**	**438,197**	**35,874,402**

The accounting policies and explanatory notes on pages 9 to 37 form an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Operating activities			
Loss before tax		**(2,741,385)**	(2,084,852)
Non-cash adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	9	**2,316,589**	1,551,632
Amortization of deferred income	15	**(6,188)**	(6,188)
Interest expense	7	**5,097,526**	1,457,966
Working capital adjustments:			
Increase in trade and other receivables		**(49,831)**	(383,114)
Decrease/(increase) in inventory		**23,839**	(146,637)
Increase in trade and other payables		**125,828**	1,662,908
Income tax paid		-	(1,214)
Net cash from operating activities		**4,766,378**	2,050,501
Investing activities			
Purchase of property, plant and equipment		**(4,916,879)**	(6,155,776)
Net cash used in investing activities		**(4,916,879)**	(6,155,776)
Financing activities			
Proceeds from issue of bonds	20	**25,000,000**	-
Payment of bond issue costs		**(483,350)**	-
Proceeds from bank loans	20	**2,984,168**	5,713,508
Repayment of bank loans	20	**(4,619,658)**	(9,527)
Repayment of amounts due to other parties	15	**(1,662,434)**	-
Repayment of other loans	20	**(12,266,111)**	-
Payment of break fee	7	**(3,383,047)**	-
Interest paid		**(2,918,212)**	(1,102,823)
Net cash from financing activities		**2,651,356**	4,601,158
Net increase in cash and cash equivalents		**2,500,855**	495,883
Cash and cash equivalents at 1 January		**(202,203)**	(698,086)
Cash and cash equivalents at 31 December	13	**2,298,652**	(202,203)

The accounting policies and explanatory notes on pages 9 to 37 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The combined financial statements include the combination of Phoenicia Malta Limited (formerly Cuffe (Malta) Limited), Phoenicia Hotel Company Limited and Phoenicia Finance Company plc together referred to as the 'Reporting entity' or 'the Companies'. In 2017, the combined financial statements included the combination of Phoenicia Malta Limited and Phoenicia Hotel Company Limited. Phoenicia Finance Company plc was incorporated on 23 October 2018 as a subsidiary of Phoenicia Malta Limited.

The financial statements of the Phoenicia Malta Limited and Phoenicia Hotel Company Limited for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 29 April 2018. The unaudited financial statements of Phoenicia Finance Company plc were authorised for issue by the Board of Directors on 16 April 2019.

Phoenicia Malta Limited is a limited liability company incorporated and domiciled in Malta under the Companies Act, Cap. 386 of the Laws of Malta. Its registered office is The Phoenicia Hotel, The Mall, Floriana, FRN 1478, Malta. The Company's principal activity is the rental of property to Phoenicia Hotel Company Limited.

Phoenicia Hotel Company Limited is registered in United Kingdom as a private company limited by shares, incorporated and domiciled in the UK. The Company is effectively operated and managed from Malta where it is registered as an overseas company with registration number OC1. Its registered office is Eversheds House 70, Great Bridgewater Street, Manchester M1 5ES, United Kingdom. The Company's principal activity is the operation of Phoenicia Hotel in Malta.

Phoenicia Finance Company plc is a public liability company incorporated and domiciled in Malta under the Companies Act, Cap. 386 of the Laws of Malta. Its registered office is The Phoenicia Hotel, The Mall, Floriana, FRN 1478, Malta. The Company's principal activity is that of acting as the financing arm of the Group and is thus dependent upon the operations and performance of Phoenicia Malta Limited and Phoenicia Hotel Company Limited.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The combined financial statements have been prepared as general purpose financial statements which comply with the requirements of International Financial reporting standards as adopted by the EU.

The Companies are under common control and they have historically operated as combined entities under common management. The parent, Phoenicia Hotel (Lux) S.A.R.L., registered in Luxembourg, is exempt from the obligation to draw up and to publish consolidated accounts. Moreover, Phoenicia Malta Limited and Phoenicia Hotel Company Limited are also the guarantors of a bond which was issued by Phoenicia Finance Company plc. The Combined financial statements are also required in the context of Phoenicia Finance Company plc continuing listing obligations.

The combined financial statements have been drawn up on the basis of the financial statements of Phoenicia Malta Limited, Phoenicia Hotel Company Limited and Phoenicia Finance Company plc for the period ended 31 December 2018. The accounting policies of the Companies are consistent with the policies adopted by the Reporting entity. The results of the Group, including the parent and each of the combined entities, are not materially different from the results of the Reporting entity.

In preparing these combined financial statements the Reporting entity applied all consolidation procedures under IFRS, whereby all significant intercompany accounts and transactions between Phoenicia Malta Limited, Phoenicia Hotel Company Limited and Phoenicia Finance Company plc have been eliminated in the accompanying combined financial statements.

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). The financial statements are presented in Euro (EUR), which represents the functional and presentation currency of each of the combined entities. Apart from land and buildings, which are carried at fair value less depreciation, these financial statements are prepared under the historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 9 Financial Instruments
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions
- IFRS 15 Revenue from Contracts with customers including amendments to IFRS 15
- Clarifications to IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts
- IFRIC Interpretation 22 Foreign Currency Transactions and advance consideration
- Amendments to IAS 40 Transfers of Investment property
- Annual Improvements to IFRSs 2014-2016 Measuring an associate or joint venture at fair value
- Annual Improvements to IFRSs 2014-2016 Deletion of short term exemptions for first time adopters

Other than disclosed below, the adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Reporting entity. The nature and effect of the changes as a result of adoption of IFRS 9 and IFRS 15 are described below.

IFRS 9 – Financial instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that has replaced IAS 39 for annual periods on or after 1 January 2018. The Reporting entity have initially adopted IFRS 9 Financial Instruments in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments: Recognition and Measurement. Additionally, the disclosure requirements resulting from the consequential amendments to IFRS 7 have not generally been applied to comparative information. The significant accounting policies under IAS 39 continue to apply to the 2017 comparative figures.

Classification and measurement

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories have been replaced by: Fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 allows entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities is largely the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

The Reporting entity has concluded that the financial assets previously classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9. There is no financial impact arising as the accounting measurement is the same as under IAS39.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

IFRS 9 – Financial instruments - continued

Impairment of financial assets

IFRS 9 has fundamentally changed the impairment methodology. The standard replaces IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Reporting entity is required to record an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months (12-month ECL) unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset (lifetime ECL).

The general principle of IFRS 9 is that ECL accounting requires that the credit risk of financial instruments within the scope of impairment to be assessed for significant increase since initial recognition at each reporting sheet date. If there is a significant increase in credit risk, lifetime ECL is recognised. The principle of significant deterioration in credit risk can be achieved by performing an assessment to compare the risk of default occurring at the reporting date with the risk of default occurring at the date of initial recognition.

Considering the short-term nature of the Reporting entity's financial assets, IFRS 9 did not materially impact the impairment calculation of the Reporting entity.

IFRS 15 – Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue and related interpretations and it applies, with limited exception, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Reporting entity have initially adopted IFRS 15 (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was applied retrospectively using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 Revenue. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The significant accounting policies under IAS 18 continue to apply to the 2017 comparative figures. The adoption of IFRS 15 did not have a material impact on the Reporting entity.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Reporting entity has not early adopted, but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 16 Leases (effective for financial year beginning on or after 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial year beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS12 Income tax consequences of payments on financial instruments classified as equity (effective for financial year beginning on or after 1 January 2019)
- Amendments to IAS23 Borrowing costs eligible for capitalisation (effective for financial year beginning on or after 1 January 2019)
- Amendments to IFRS 3 and IFRS 11 Previously held interest in a joint operation (effective for financial year beginning on or after 1 January 2019)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Reporting entity.

Standards, interpretations and amendments to published standards that are not yet adopted by the European Union

- IFRS 17 Insurance Contracts (effective for financial year beginning on or after 1 January 2021)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial year beginning on or after 1 January 2020)
- Amendment to IFRS 3 Business Combinations (effective for financial year beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial year beginning on or after 1 January 2020)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred Indefinitely)

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Policies applicable after 1 January 2018

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

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

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

Contract balances

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

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

Policies applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Reporting entity and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue mainly represents income earned from hospitality and leisure. Service revenue is recognised when services have been rendered and collectability is reasonably assured. Other revenue is generated from the sales of food and beverages.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

Property, plant and equipment

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

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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

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

Buildings (including fixtures)	15-50 years
Plant, machinery and other equipment	3-15 years
Crockery, utensils and linen	3-15 years

The depreciation method applied and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting year. Depreciation of an asset ceases when the asset is either classified as held for sale or derecognised. Assets in the course of construction are not depreciated.

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

Inventories

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

Financial instruments

Policies applicable after 1 January 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

From 1 January 2018 the Reporting entity had adopted the following accounting policies to its financial instruments:

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Reporting entity's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Reporting entity has applied the practical expedient, the Reporting entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable after 1 January 2018 - continued

Financial assets - continued

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Reporting entity. The Reporting entity measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through OCI (debt instruments)

The Reporting entity measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable after 1 January 2018 - continued

Financial assets - continued

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Reporting entity can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Reporting entity benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable after 1 January 2018 - continued

Financial assets - continued

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Reporting entity that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable after 1 January 2018 - continued

Financial liabilities - continued

Loans and borrowings

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

Derecognition

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

Offsetting of financial instruments

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

Prior to its adoption of IFRS 9 in 2018, the Reporting entity had applied IAS 39. As a result, the comparative information provided continues to be accounted for in accordance with the Reporting entity's previous accounting policy.

Policies applicable before 1 January 2018

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available for Sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Reporting entity commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable before 1 January 2018 - continued

Financial assets - continued

Loans and receivables

This category is the most relevant to the Reporting entity. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 12.

Impairment of financial assets

The Reporting entity assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Reporting entity first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Reporting entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Policies applicable before 1 January 2018 - continued

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, interest-bearing loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of trade and other payables and interest-bearing loans and borrowings, net of directly attributable transaction costs.

The Reporting entity's financial liabilities include trade and other payables and interest-bearing loans and borrowings including bank overdrafts.

Loans and borrowings

This is the category most relevant to the Reporting entity. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to trade and other payables and interest-bearing loans and borrowings. For more information, refer to note 15 and note 16 respectively.

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents with an original maturity of three months or less, net of outstanding bank overdrafts.

Taxes

Current income tax

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

Deferred income tax

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Taxes - continued

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred in the purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Grants

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

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

3.1. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Going concern

During the year ended 31 December 2018, the Reporting entity incurred a loss before tax of EUR2,741,385 (2017: loss of EUR2,084,852). As at 31 December 2018, its current liabilities exceeded current assets by EUR3,724,881 (2017: EUR9,647,882). These financial statements have been prepared on a going concern basis, which assumes that the Directors have a reasonable expectation that the Reporting entity has adequate resources to remain in operation for the foreseeable future and meet its liabilities when they fall due. The Reporting entity has therefore continued to adopt the going concern basis of accounting in preparing the combined financial statements.

The Directors believe, that the current liability position can be redressed through the operations of the Reporting entity and unutilised banking facilities. In light of the performance to date, projections prepared and financing available to the Reporting entity, the Directors believe that there is no significant doubt on the Reporting entity's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - continued

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Deferred tax assets

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

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

Deferred tax liability

The Reporting entity's own-used Land and buildings within Property, plant and equipment is measured at Revalued amounts under IAS16. In the financial statements of Phoenicia Malta Limited, these Land and buildings were classified as Investment Property at fair value, and the resulting deferred tax liability was measured on the basis that the value of these assets will be recovered through sale (rather than through use) under the rebuttable presumption in IAS40. In Malta the income tax rate applicable to benefits generated through operating the asset (recovery through use) is 35%, while that applicable on sale of property is 8% on the sales proceeds.

Judgement is required in preparing these combined financial statements to determine whether the Reporting entity will recover the value of the Land and Building through use or through sale, or partially through use and sale. In making this assessment, management made an estimation of the amount relating to non-depreciable assets, being land carried at Fair Value, where the deferred tax on revaluation assumes recovery through sale (as it cannot be recovered through use). For the depreciable portion, an estimation of the period over which management expects to recover the Property, Plant and Equipment through use was made. During the year management extended the period over which Property, plant and equipment will be recovered through use to 15 years in line with the updated plans of the Reporting entity. The remaining balance beyond the period of use was assumed to be recovered through sale.

Fair value of property, plant and equipment

The Reporting entity carries its Land and buildings within Property, plant and equipment at revalued amount, with changes in the revalued amount being recognised in the statement of other comprehensive income in accordance with IAS 16, 'Property, Plant and Equipment'. This is based on market valuations performed by independent professional architects at least every two years. In a year when market valuations are not performed by the independent professional architect, an assessment of the revalued amount of Land and buildings is performed to reflect market conditions at the year-end date. The last market valuation was performed in 2018 (note 9).

4. REVENUE

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

	2018	2017
	EUR	EUR
Services transferred over time		
Accommodation	**9,069,186**	4,611,453
Services/goods transferred at a point in time		
Catering	**3,677,107**	2,052,742
Other	**186,782**	112,950
Revenue from contracts with customers	**12,933,075**	6,777,145

NOTES TO THE FINANCIAL STATEMENTS - continued

5. EXPENSES BY NATURE

	2018 EUR	2017 EUR
Staff costs (note 6)	**3,383,789**	2,739,013
Depreciation	**2,316,589**	1,551,632
Auditors remuneration	**67,500**	23,700
Other expenses	**4,809,056**	3,089,686
Total cost of sales, administrative and selling expenses	**10,576,934**	7,404,031

6. STAFF COSTS

	2018 EUR	2017 EUR
Directors' remuneration	**170,420**	91,936
Social security costs	**1,851**	1,802
	172,271	93,738

The total employment costs were as follows:

	2018 EUR	2017 EUR
Wages and salaries	**3,154,639**	2,563,240
Social security costs	**229,150**	175,773
	3,383,789	2,739,013

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

	2018 Number	2017 Number
Guest service	**108**	108
Administrative	**31**	29
	139	137

7. FINANCE COSTS

	2018 EUR	2017 EUR
Interest payable on interest-bearing loans and borrowings (note 16)	**1,606,167**	1,411,780
Interest on bank loan	**19,012**	46,186
Break fee on other loan (i)	**3,383,047**	-
Interest on bonds	**72,048**	-
Amortisation of bond issue costs	**7,252**	-
Other finance charges	**10,000**	-
	5,097,526	1,457,966

(i) The break fee on other loan amounting to EUR 3.4 million was incurred by Phoenicia Malta Limited as a result of the early repayment of the Other loan (note 16).

NOTES TO THE FINANCIAL STATEMENTS - continued

8. INCOME TAX CREDIT

The tax for the year is made up as follows:

	2018 EUR	2017 EUR
Current tax	**38,316**	-
Deferred tax (note 10)	**(683,805)**	(2,203,009)
Income tax credit	**(645,489)**	(2,203,009)

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

	2018 EUR	2017 EUR
Loss before tax	**(2,741,385)**	(2,084,852)
Theoretical tax at the applicable 35% rate	**(959,485)**	(729,699)
Tax effect of:		
- clarification of treatment of capital allowances (note i)	**(612,877)**	-
- recognition of previously unrecognised deferred tax on tax losses and capital allowances (note 10)	-	(1,448,562)
- expenses not deductible for tax purposes	**1,631,586**	4,711
- other rates of tax	**(702,947)**	(27,547)
- other differences	**(1,766)**	(1,912)
Income tax credit	**(645,489)**	(2,203,009)

Income tax in other comprehensive income

The tax impact, which is entirely attributable to deferred taxation, relating to the revaluation of land and buildings (note 9) recorded in other comprehensive income and accordingly presented directly in equity as follows:

	2018 EUR	2017 EUR
Revaluation gain on property, plant and equipment (note 9)	-	(44,951,140)
Deferred tax (i)	**(1,800,541)**	6,533,528
Revaluation of property, plant and equipment net of tax	**(1,800,541)**	(38,417,612)

i) During the year, the Reporting entity sought a clarification in relation to the treatment of certain capital allowances. This resulted in a favourable effect which is reflected in the deferred tax, amounting to EUR 2,413,418.

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings EUR	Plant, machinery and equipment EUR	Crockery, utensils and linen EUR	Assets under construction EUR	Total EUR
Cost					
At 1 January 2017	18,972,268	7,966,285	589,021	16,822,833	44,350,407
Additions	-	3,831,214	-	5,208,071	9,039,285
Transfers	15,449,310	5,132,215	-	(20,581,525)	-
Revaluation gain	44,951,140	-	-	-	44,951,140
Depreciation transfers	(3,596,042)	(237,325)	-	-	(3,833,367)
At 31 December 2017	**75,776,676**	**16,692,389**	**589,021**	**1,449,379**	**94,507,465**
At 1 January 2018	75,776,676	16,692,389	589,021	1,449,379	94,507,465
Additions	489,351	1,888,983	-	358,041	2,736,375
Transfers	45,340	(45,159)	-	(181)	-
At 31 December 2018	**76,311,367**	**18,536,213**	**589,021**	**1,807,239**	**97,243,840**
Accumulated depreciation					
At 1 January 2017	3,014,454	6,680,882	367,835	-	10,063,171
Depreciation for the year	581,588	932,289	37,755	-	1,551,632
Depreciation transfers	(3,596,042)	(237,325)	-	-	(3,833,367)
At 31 December 2017	-	**7,375,846**	**405,590**	-	**7,781,436**
At 1 January 2018	-	7,375,846	405,590	-	7,781,436
Depreciation for the year	850,568	1,428,266	37,755	-	2,316,589
At 31 December 2018	**850,568**	**8,804,112**	**443,345**	-	**10,098,025**
Net book value					
At 31 December 2018	**75,460,799**	**9,732,101**	**145,676**	**1,807,239**	**87,145,815**
At 31 December 2017	75,776,676	9,316,543	183,431	1,449,379	86,726,029

Had land and buildings not been included in the financial statements at revaluation less accumulated depreciation, the carrying amount as at 31 December 2018 would have been EUR30,571,880 (2017: EUR30,825,536).

As disclosed in note 15, at 31 December, the Reporting entity had capital creditors amounting to EUR1,235,786 (2017: EUR3,416,290).

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PROPERTY, PLANT AND EQUIPMENT - continued

The loan facilities are secured by a general hypothec of EUR20.6 million (2017: EUR22 million) over the assets of Phoenicia Malta Limited and a special hypothec of EUR20.6 million (2017: EUR22 million) over the land and buildings of Phoenicia Malta Limited. The Reporting entity is committed to a development project as detailed in note 17.

In 2017, borrowing costs arising from bank and other borrowings capitalised within investment properties amounted to EUR 158,437 (2018: *nil*). A capitalisation rate of 0.36% was utilised in this respect.

Fair value

Phoenicia Malta Limited's property comprises of a hotel building and its surrounding lands. An independent valuation of the land and buildings was performed by architects to determine the revalued amount as at 31 December 2018 and 31 December 2017.

The assessment of the revalued amount of the property was performed in accordance with the International Valuation Standards Committee and adopted by the European Group of Valuers Association. Revaluation gains were credited to other comprehensive income.

Valuation processes

The Reporting entity engages external, independent and qualified architects to determine the revalued amount of the property. At the date of the valuation, management:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior valuation report;
- holds discussions with the independent architects.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent architects.

Valuation techniques and inputs

The revalued amount was determined by the income approach. This method involves the application of a market-derived discount rate to the annual earnings to establish the present value of the income stream associated with the asset. An implicit assumption in this method is that the cash flow is perpetuity and the discount rate is a constant.

The capitalisation rate is based on the actual location, size and quality of the property and taking into account market data at the valuation date as follows:

	Unobservable capitalisation rate
Sites in operation	a capitalisation rate of 7% was used.
Other sites	a capitalisation rate of 25% was used.

For each valuation for which capitalisation rate have been determined to be significant unobservable inputs, the lower the capitalisation rate, the higher the fair value. Conversely, the higher the capitalisation rate, the lower the revalued amount

NOTES TO THE FINANCIAL STATEMENTS - continued

9. PROPERTY, PLANT AND EQUIPMENT - continued

Fair value hierarchy

The value determined by the architects assumes that the development of the property under construction is complete. Accordingly, the value was adjusted for the estimated costs to complete the development of the property under construction.

The property is categorised under level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Reporting entity's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

10. DEFERRED TAX

Deferred income tax at 31 December relates to the following:

	2018	2017
	EUR	EUR
Deferred income tax asset is attributable to the following:		
- unutilized tax losses and capital allowances	**2,829,467**	2,155,280
- excess of capital allowances over depreciation	**34,036**	19,612
- allowances for impairment	**23,311**	28,117
	2,886,814	2,203,009
Deferred income tax liability is attributable to the following:		
- Land and buildings	**(4,732,987)**	(6,533,528)

Management made an estimation of the depreciable portion i.e. an estimation of the period over which management expects to recover the Property, Plant and Equipment through use with the remaining balance assumed to be recovered through sale. In Malta the income tax rate applicable to benefits generated through operating the asset (recovery through use) is 35%, while that applicable on sale of property is 8% on the sales proceeds. During the year management extended the period over which Property, plant and equipment will be recovered through use to 15 years in line with the updated plans of the Reporting entity.

The Directors have assessed the recognition of the deferred tax asset and they are confident that the deferred taxation recognised in the financial statements will be realised in the foreseeable future through trading operations. Tax losses and unabsorbed capital allowances do not expire under Maltese legislation.

NOTES TO THE FINANCIAL STATEMENTS - continued

11. INVENTORIES

	2018 EUR	2017 EUR
Catering and bar supplies	**96,413**	123,003
Hotel consumables	**89,371**	86,620
	185,784	209,623

12. TRADE AND OTHER RECEIVABLES

	2018 EUR	2017 EUR
Non-current		
Other receivables (note ii)	**50,000**	50,000
Current		
Trade receivables (note i)	**624,751**	666,143
Other receivables	**37,575**	2,647
Prepayments	**122,662**	66,367
	784,988	735,157

(i) Trade receivables are presented net of a provision for impairment of EUR 66,604 (2017: EUR80,335). No interest is charged on trade and other receivables. As at 31 December, the ageing analysis of trade receivables is as follows:

		Neither past due nor impaired			Past due but not impaired
	Total EUR	0-30 days EUR	30-60 days EUR	61-90 days EUR	EUR
2018	**624,751**	**350,157**	**132,182**	**79,526**	**62,886**
2017	666,143	368,854	135,534	156,175	5,580

(ii) Other non-current receivables mainly relate to guarantees which are released once the development of property is complete.

13. CASH AND CASH EQUIVALENTS

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

	2018 EUR	2017 EUR
Cash at bank and in hand	**2,499,621**	9,832
Bank overdraft	**(200,969)**	(212,035)
	2,298,652	(202,203)

NOTES TO THE FINANCIAL STATEMENTS - continued

13. CASH AND CASH EQUIVALENTS - continued

The Reporting entity has an overdraft facility of EUR600,000 (2017: EUR600,000) for working capital requirements, which is secured by a general hypothec over the assets of Phoenicia Hotel Company Limited and a special hypothecary guarantee of EUR600,000 (2017: *nil*) given by Phoenicia Malta Limited over its land and buildings. As at 31 December 2018, the reporting entity had banking facilities amounting to EUR399,031 (2017: EUR388,965) which were unutilized at year-end.

14. ISSUED CAPITAL AND RESERVES

	Phoenicia Malta Limited EUR	Phoenicia Hotel Company Limited EUR	Total as at December EUR
Authorised			
9,999 Ordinary shares 'A' of EUR1 each	9,999	-	9,999
1 Ordinary share 'B' of EUR1	1	-	1
16,000 ordinary shares of 0.25 GBP each	-	9,318	9,318
Total authorised shares	**10,000**	**9,318**	**19,318**
Issued and fully paid up			
4,999 Ordinary shares 'A' of EUR1 each	4,999	-	4,999
1 Ordinary share 'B' of EUR1	1	-	1
14,400 ordinary shares of 0.25 GBP each	-	8,386	8,386
Total issued and fully paid up shares	**5,000**	**8,386**	**13,386**

Holders of Ordinary shares 'A' have the right to vote and receive dividend whilst holders of Ordinary shares 'B' have the right to vote without the right to receive dividend.

Deferred shares

The authorised, issued and fully paid up deferred shares of EUR838,574 are made up of 1,440,000 deferred shares of 0.25 GBP each.

Deferred shares are not entitled to dividends and carry no voting rights. On winding up, holders of deferred shares are entitled to repayment of capital, after the capital had been repaid in full to the holders of ordinary shares. Holders of deferred shares are not entitled to participate in any further surplus arising on winding up.

Revaluation reserve

The revaluation reserve represents unrealised revaluation gains on Land and buildings within Property, plant and equipment, net of tax that are not available for distribution.

Retained earnings

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

NOTES TO THE FINANCIAL STATEMENTS – continued

15. TRADE AND OTHER PAYABLES

	2018 EUR	2017 EUR
Trade payables	**1,451,345**	1,392,808
Capital creditors	**1,235,786**	3,416,290
Amounts due to other parties (i)	**332,566**	1,995,000
Accruals	**1,171,755**	1,142,279
Contract liabilities (ii)	**524,657**	489,452
Indirect taxes including social security	**97,861**	82,454
Deferred income (iii)	**14,278**	20,466
Other payables	**18,607**	15,757
VAT payable	**162,783**	56,083
	5,009,638	8,610,589

(i) Amounts due to other parties represent advances by the previous shareholders of Phoenicia Malta Limited. The amounts are unsecured, non-interest bearing and with no fixed date for repayment.

(ii) Contract liabilities represent advances from customers. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR474,452.

(iii) Deferred income includes capital grants which are being amortised over the life of the asset.

	EUR
Balance at 1 January 2018	20,466
Amortisation for the year	(6,188)
Balance at 31 December 2018	**14,278**

16. INTEREST-BEARING LOANS AND BORROWINGS

	2018 EUR	2017 EUR
Non-current		
Other-loan (i)	-	13,540,441
Bank loan (ii)	**21,406,961**	23,081,960
Bank loan (iii)	**237,199**	300,825
4.15% Unsecured Bonds 2023-2028 (iv)	**24,401,554**	-
	46,045,714	36,923,226
Current		
Bank loan (ii)	**1,810,532**	1,719,235
Bank loan (iii)	**63,770**	60,635
Accrued interest on 4.15% Unsecured Bonds 2023-2028 (iv)	**72,049**	-
	1,946,351	1,779,870
Total interest-bearing loans and borrowings	**47,992,065**	38,703,096

NOTES TO THE FINANCIAL STATEMENTS – continued

16. INTEREST-BEARING LOANS AND BORROWINGS - continued

The Reporting entity has the following facilities:

(i) The other loan was settled in 2018. In 2017, the loan facility was secured by a general hypothec over all the assets of the Phoenicia Malta Limited, a special hypothec on its land and buildings and by guarantees made by other parties on behalf of Phoenicia Malta Limited. This loan and related security were subordinated to the bank loan facility.

(ii) Bank loan facilities of EUR23,048,627 (EUR2017: EUR24,625,000) bearing an average interest of 2.90% (2017: 2.80%) (minimum rate) plus 3 months EURIBOR per annum. The loan facilities are secured by a general hypothec for EUR20.6 million (2017: EUR22 million) over all the assets of Phoenicia Malta Limited. The facilities are also secured by a special hypothec of EUR20.6 million (2017: EUR22 million) on Phoenicia Malta Limited land and buildings. The loans are also secured by a general hypothecary guarantee of EUR20.6 million (2017: EUR22 million) provided by Phoenicia Hotel Company Limited.

(iii) The outstanding balance as at year end on these loans amounted to EUR300,969 (2017: EUR361,460). The interest rate is of 3.5% (2017: 3.5%) per annum over the bank's base rate. The loans facilities are secured by a general hypothec of EUR300,969 (2017: EUR367,436) over the assets of Phoenicia Hotel Company Limited and a special hypothecary guarantee of EUR300,969 (2017: EUR367,436) given over the Land and buildings of Phoenicia Malta Limited.

(iv) The Unsecured Bonds are disclosed at the value of the proceeds less the net book value of the issue costs, as follows:

	2018
	EUR
Non-current	
Bonds	**25,000,000**
Issue costs	**(605,698)**
Accumulated amortisation	**7,252**
	24,401,554

Unless previously purchased and cancelled, the Unsecured Bonds will be redeemed at their nominal value (together with interest accrued up to the date fixed for redemption) on 15 December 2028 provided that Phoenicia Finance Company p.l.c. reserves the right to redeem all the Unsecured Bonds on any one of the Early Redemption Dates, that is, 15 December 2023, 15 December 2024, 15 December 2025, 15 December 2026 or 15 December 2027, subject to Phoenicia Finance Company p.l.c. giving at least 60 days' notice in writing to all Bondholders of its intention to effect such earlier redemption.

The Unsecured Bonds are subject to a fixed interest rate of 4.15%. The quoted market price as at 31 December 2018 for the Unsecured bonds was EUR104.15.

(v) There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

The non-current interest-bearing loans and borrowings are analysed as follows:

	2018	2017
	EUR	EUR
Between one and two years	**1,709,197**	1,704,446
Between two and five years	**5,094,669**	5,140,649
More than five years	**39,840,294**	30,078,131
	46,644,160	36,923,226

NOTES TO THE FINANCIAL STATEMENTS – continued

17. FINANCIAL COMMITMENTS

As at 31 December 2018, the Reporting entity had capital commitments with respect to the development of property estimated at EUR2.7 million (2017: EUR5.3 million). The capital commitments were estimated predominantly by the Reporting entity's cost consultants.

Collateral provided to the Bank by the Companies are disclosed in notes 13 and 16.

18. FAIR VALUE MEASUREMENT

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Reporting entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Reporting entity considers relevant and observable market prices in its valuations where possible as outlined above. For assets and liabilities that are recognised at fair value on a recurring basis, the Reporting entity determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At 31 December 2018 and 2017 the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and current interest-bearing loans and borrowings approximated their fair values in view of the nature of the instruments or their short-term maturity. The fair values of non-current bank loans are not materially different from their carrying amounts particularly due to re-pricing. The fair values of non-current unsecured bonds can be defined by reference to the quoted market price which as at 31 December 2018 was EUR104.15.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Note 22 provides information about the Reporting entity's structure, including details of the parent and ultimate parent company.

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

		Purchases from related party	Amounts owed (to)/ from related party
Related parties			
Hazledene Group Limited	**2018**	**61,036**	-
	2017	78,267	-

Hazledene Group Limited

Hazledene Group Limited is an entity in which the shareholders of the Companies have an interest. During the year the Reporting entity entered into transactions with this party for an expense of an administrative nature.

Key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS – continued

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

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

The Reporting entity's short-term deposits are placed with quality financial institutions. Carrying amounts for trade and other receivables are stated net of the necessary provisions which have been made against bad and doubtful debts in respect of which the Directors reasonably believe that recoverability is doubtful.

The maximum exposures to credit risk is represented by the carrying amount of each financial assets as disclosed in note 12 and note 13.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on the borrowings are disclosed in note 16.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Reporting entity's profit before tax.

	Increase/decrease in basis points	Effect on profit before tax EUR '000
2018	**+100**	**(243)**
	-50	**121**
2017	+100	(252)
	-50	126

Liquidity risk

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

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

The Reporting entity actively manages its risk of a shortage of funds by closely monitoring the maturity of its financial assets and liabilities and projected cash flows from operations. The Directors believe, that the current liability position can be redressed through the operations of the Reporting entity and unutilised banking facilities (Note 3.1 – Going concern).

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

NOTES TO THE FINANCIAL STATEMENTS – continued

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk - continued

	Carrying amount EUR	Undiscounted contractual cash flows EUR	Within one-year EUR	1 to 5 years EUR	Over 5 years EUR
31 December 2018					
Interest-bearing loans and borrowings	48,590,511	63,418,738	3,458,274	13,039,244	46,921,220
Bank overdraft	200,969	200,969	200,969	-	-
Trade and other payables	4,238,133	4,238,133	4,238,133	-	-
Other liabilities	771,505	771,505	771,505	-	-
	53,801,118	**68,629,345**	**8,668,881**	**13,039,244**	**46,921,220**
31 December 2017					
Interest-bearing loans and borrowings	38,703,096	58,449,960	2,279,920	9,070,053	47,099,987
Bank overdraft	212,035	212,035	212,035	-	-
Trade and other payables	6,431,824	6,431,824	6,431,824	-	-
Other liabilities	2,178,765	2,178,765	2,178,765	-	-
	47,525,720	**67,272,584**	**11,102,544**	**9,070,053**	**47,099,987**

Changes in liabilities arising from financing activities

Bank loans and other loans

	1 January 2018 EUR	Cash flows EUR	Accrued interest EUR	31 December 2018 EUR
2018	**38,703,096**	**11,098,399**	**(1,210,984)**	**48,590,511**
2017	32,485,535	5,703,981	513,580	38,703,096

Capital management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued

21. CONTINGENT LIABILITES

The Reporting entity is in disagreement with the main contractor of the recent development of Phoenicia Hotel regarding certain differences between applications for payment made by the contractor and amounts that have been certified as due based on the assessment of a professional cost consultancy firm engaged by the Company since inception of the project. The company is also contesting claims for additional services from architects, involved in the same development, due to delays and additional expense caused by their execution of the services provided.

The Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements. Furthermore, the Reporting entity has a number of counter claims against the contractor and the architects relating to delays and defects, amongst others.

22. PARENT AND ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent company is Phoenicia Hotel (Lux) S.a.r.l. registered in Luxembourg. The ultimate controlling party is Mark Shaw, a British national residing in Edinburgh, Scotland.