PHOENICIA

Combined Financial Statements

31 December 2023

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Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company P.L.C

Report on the audit of the combined financial statements

Opinion
We have audited the combined financial statements of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company P.L.C (collectively referred to as the Reporting entity), set on pages 5 to 33, which comprise the combined statements of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Reporting entity's as at 31 December 2023, and of its combined financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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 opinion.

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 the requirements of the Companies Act, 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.

INDEPENDENT AUDITOR'S REPORT

to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company P.L.C - continued

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.
- 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 combined financial information of the entities or business activities within the group 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.

INDEPENDENT AUDITOR'S REPORT

to the Directors of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company P.L.C - continued

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

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

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

Ernst & Young Malta Limited
Certified Public Accountants

23 April 2024

COMBINED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Revenue	4	**19,158,385**	14,747,243
Cost of sales	5	**(9,625,536)**	(8,387,205)
Gross profit		**9,532,849**	6,360,038
Administrative expenses	5	**(5,502,165)**	(4,118,663)
Selling and marketing expenses	5	**(761,720)**	(657,499)
Other income	6	**-**	507,124
Operating profit	(i)	**3,268,964**	2,091,000
Finance income	8	**1,126,503**	118,745
Finance costs	9	**(3,504,866)**	(2,046,210)
Profit before tax		**890,601**	163,535
Income tax (expense)/credit	10	**(584,015)**	105,583
Profit for the year		**306,586**	269,118

Other comprehensive (loss)/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	11	**-**	10,509,298
Other comprehensive loss		**(42,550)**	-
Total comprehensive income for the year, net of tax		**264,036**	10,778,416

The accounting policies and explanatory notes on pages 9 to 33 form an integral part of the combined financial statements.

(i) Analysed as:

	2023 EUR	2022 EUR
EBITDA*	**5,560,542**	4,496,604
Depreciation	**(2,291,578)**	(2,405,604)
Operating profit	**3,268,964**	2,091,000

**EBITDA is a measure not defined by IFRS and represents earnings before interest, tax, depreciation and amortization (note 5)*

COMBINED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	Notes	2023 EUR	2022 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	11	**98,814,848**	99,521,598
Loan receivable	18	**21,245,248**	20,000,000
Deferred tax asset	12	**6,027,455**	6,330,474
Other receivables	14	**174,048**	50,000
Total non-current assets		**126,261,599**	125,902,072
Current assets			
Inventories	13	**374,747**	238,360
Trade and other receivables	14	**822,856**	753,431
Loan receivable	18	**-**	118,745
Current tax receivable		**15,549**	9,292
Cash and cash equivalents	15	**663,793**	1,160,084
Total current assets		**1,876,945**	2,279,912
TOTAL ASSETS		**128,138,544**	128,181,984
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	**418,595**	13,386
Other reserve	16	**433,365**	-
Deferred shares	16	**-**	838,574
Revaluation Reserve	16	**43,363,123**	43,467,891
Retained earnings	16	**2,831,877**	2,463,073
Total equity		**47,046,960**	46,782,924
Non-current liabilities			
Interest-bearing loans and borrowings	19	**67,340,820**	68,214,321
Deferred tax liability	12	**6,737,500**	6,428,674
Total non-current liabilities		**74,078,320**	74,642,995
Current liabilities			
Trade and other payables	17	**5,963,269**	5,706,182
Interest-bearing loans and borrowings	19	**1,045,351**	1,045,475
Current tax payable		**4,644**	4,408
Total current liabilities		**7,013,264**	6,756,065
Total liabilities		**81,091,584**	81,399,060
TOTAL EQUITY AND LIABILITIES		**128,138,544**	128,181,984

The accounting policies and explanatory notes on pages 9 to 33 form an integral part of the financial statements. The financial statements on pages 5 to 33 have been authorised for issue by the Board of Directors on 23 April 2024 and signed on its behalf by:

MARK SHAW
Director

JEAN PIERRE ELLUL CASTALDI
Director

COMBINED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Issued capital EUR	Deferred shares EUR	Other reserve EUR	Revaluation reserve EUR	Retained earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 December 2023						
At 1 January 2023	**13,386**	**838,574**	**-**	**43,467,891**	**2,463,073**	**46,782,924**
Profit for the year	-	-	-	-	306,586	306,586
Other comprehensive loss for the year	-	-	-	(42,550)	-	(42,550)
Total comprehensive income	-	-	-	(42,550)	306,586	264,036
Other movements	405,209	(838,574)	433,365	-	-	-
Depreciation transfer for buildings	-	-	-	(62,218)	62,218	-
At 31 December 2023	**418,595**	**-**	**433,365**	**43,363,123**	**2,831,877**	**47,046,960**
FINANCIAL YEAR ENDED 31 December 2022						
At 1 January 2022	13,386	838,574	-	39,164,394	(4,011,846)	36,004,508
Profit for the year	-	-	-	-	269,118	269,118
Other comprehensive income for the year	-	-	-	10,509,298	-	10,509,298
Total comprehensive income	-	-	-	10,509,298	269,118	10,778,416
Depreciation transfer for buildings	-	-	-	(6,205,801)	6,205,801	-
At 31 December 2022	**13,386**	**838,574**	**-**	**43,467,891**	**2,463,073**	**46,782,924**

The accounting policies and explanatory notes on pages 9 to 33 form an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS
for the year ended 31 December 2023

	Notes	2023 EUR	2022 EUR
Operating activities			
Profit before tax		**890,601**	163,535
Non-cash adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property, plant and equipment	11	**2,291,578**	2,405,604
Interest income	8	**(1,126,503)**	(118,745)
Interest expense	9	**3,504,866**	2,046,210
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		**(193,473)**	55,541
Increase in inventory		**(136,387)**	(52,706)
Increase in trade and other payables		**257,086**	753,954
Income tax paid		**(20,739)**	(35,461)
Net cash flows from operating activities		**5,467,029**	5,217,932
Investing activities			
Purchase of property, plant and equipment	11	**(1,584,828)**	(1,754,998)
Loan advanced to related party	18	**-**	(20,000,000)
Net cash flows used in investing activities		**(1,584,828)**	(21,754,998)
Financing activities			
Proceeds from new loans	23	**-**	44,424,145
Repayment of bank loans	23	**(999,996)**	(26,845,947)
Interest paid		**(3,378,496)**	(1,919,833)
Net cash flows (used in)/ from financing activities		**(4,378,492)**	15,658,365
Net movement in cash and cash equivalents		**(496,291)**	(878,701)
Cash and cash equivalents at 1 January		**1,160,084**	2,038,785
Cash and cash equivalents at 31 December	15	**663,793**	1,160,084

The accounting policies and explanatory notes on pages 9 to 33 form an integral part of the financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The combined financial statements include the combination of Phoenicia Malta Limited, Phoenicia Hotel Company Limited and Phoenicia Finance Company plc, together referred to as the 'Reporting entity' or 'the Companies' or 'the Group', for the year ended 31 December 2023.

The financial statements of Phoenicia Malta Limited, Phoenicia Hotel Company Limited and Phoenicia Finance Company p.l.c. for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 23 April 2024.

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 owning and rental of its property (5-star hotel) 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. Effective on 2 July 2021, the Company's registered office is 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester, M3 5GS, United Kingdom. Prior to this date, the Company's registered office was 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 ("IFRS") as adopted by the European Union ("EU").

The Companies are under common control and they have historically operated as combined entities under common management. The parent, Phoenicia Holding (Lux) S.A.R.L., registered in Luxembourg, is exempt from the obligation to draw up and to publish consolidated accounts as it meets the small group exemption criteria. 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 year ended 31 December 2023. 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 COMBINED FINANCIAL STATEMENTS - continued

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE - continued

Going concern

During the year ended 31 December 2023, the Reporting entity generated a profit before tax of EUR890,601 (2022: EUR163,535) and an EBITDA of EUR5,560,542 (2022: EUR4,496,607). The Reporting entity's current liabilities exceeded its current assets by EUR5,136,319 (2022: EUR4,476,153).

These financial statements have been prepared on a going concern basis. The Directors have made appropriate assessment of the going concern and determined that the Reporting Entity has adequate resources to remain in operation for the foreseeable future, and to meet its liabilities when they fall due. The Directors have therefore continued to adopt the going concern basis of accounting in preparing these annual financial statements.

The Reporting Entity, comprising of Phoenicia Hotel Company Limited, Phoenicia Malta Limited and Phoenicia Finance Company p.l.c., which provides cross intra-group guarantees and is managed as a combined entity, prepared projections for the upcoming 12 months and beyond, based on historical financial information, forecasts, as well as realistic assumptions to assess the financial situation. Management has also taken into consideration the positive performance and positive outlook to date for the year ending 31 December 2024 and have assessed that targets are on track to be achieved. Management has also considered the current macro-economic effects that may impact the Reporting Entity including inflation and increased interest rates. After having taken into consideration these stress testing scenarios, and considering other mitigations available to the Reporting Entity, including uncommitted costs, working capital management and available financing, management has concluded that it has the necessary resources and liquidity requirements in place to meet all commitments.

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 which have been adopted by the Reporting entity as of 1 January 2023:

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for financial years beginning on or after 1 January 2023)
- IFRS 17: Insurance Contracts, including Amendments to IFRS 17 (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for financial years beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (effective for financial years beginning on or after 1 January 2023)

The adoption of these standards, where applicable, did not have significant impact on the financial statements or performance of the Reporting entity.

NOTES TO THE COMBINED 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:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for financial years beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for financial years beginning on or after 1 January 2024)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements. The Reporting Entity will adopt the changes in standards, where applicable, on their effective date.

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

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for financial years beginning on or after 1 January 2024)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (effective for financial years beginning on or after 1 January 2025)

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

3. MATERIAL ACCOUNTING POLICIES

Revenue

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

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.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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 within equity to retained earnings.

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. There were no changes in the depreciation method applied or the useful life during 2023. 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

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

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 COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Subsequent measurement of Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company 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. Interest income is recognised in 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 COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - 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 COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

Financial instruments - 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.

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.

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.

Provisions

Provisions are recognised when the Reporting Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Reporting Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If outflows are not probable or cannot be reliably estimated, the Reporting Entity discloses any such amounts as contingent liabilities.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

3. MATERIAL ACCOUNTING POLICIES - continued

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 tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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.

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

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.

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. Management assumes that Property, plant and equipment will be recovered through use for fifteen (15) years in line with the latest plans of the Reporting entity whereas the remaining balance beyond this period of use is assumed to be recovered through sale. There were no changes to the period over which Property, plant and equipment will be recovered through use, during the current year.

Revalued amount 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'. The last market valuation was performed in 2022 (note 11).

In the years where a valuation is not obtained, management verifies all major inputs used in the previous valuation report, by assessing the discount rate and the capitalisation rate against changes in discount and growth rates, as well as assessing the results achieved against the cash flow and earnings assumption used in the previous valuation. Based on these analyses management assesses whether any changes in inputs would lead to significant changes in value of the property. Conclusions reached by management are disclosed in note 11.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

4. REVENUE

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

	2023 EUR	2022 EUR
Services transferred over time		
Accommodation	**12,738,781**	9,600,686
Services/goods transferred at a point in time		
Catering	**5,490,635**	4,494,435
Other	**928,969**	652,122
Revenue from contracts with customers	**19,158,385**	14,747,243

5. EXPENSES BY NATURE

	2023 EUR	2022 EUR
Staff costs (note 7)	**4,677,932**	4,154,341
Depreciation (note 11)	**2,291,578**	2,405,604
Auditors' remuneration	**75,596**	72,927
Professional, legal, and consulting fees	**2,061,052**	1,053,829
Other expenses	**6,783,263**	5,476,666
Total cost of sales, administrative and selling and marketing expenses	**15,889,421**	13,163,367

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is a measure not defined by IFRS and is used by management to communicate the financial performance of the Reporting entity.

6. OTHER INCOME

	2023 EUR	2022 EUR
Government grants (i)	**-**	507,124
	-	507,124

(i) Government grants for the year ended 31 December 2022 include EUR0.5 million for Covid-19 wage supplement received from the Government of Malta, which is a contribution to the employer to support the wages of its employees. This scheme was retained by the Government of Malta till the end of May 2022.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

7. STAFF COSTS

	2023 EUR	2022 EUR
Directors' remuneration/fees	**323,704**	213,221
Social security costs	**2,575**	1,971
	326,279	215,192

The total employment costs were as follows:

	2023 EUR	2022 EUR
Wages and salaries	**4,338,959**	3,882,693
Social security costs	**338,973**	271,648
	4,677,932	4,154,341

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

	2023 Number	2022 Number
Guest service	**145**	132
Administrative	**42**	36
	187	168

8. FINANCE INCOME

	2023 EUR	2022 EUR
Interest income on loan to related party (note 18)	**1,126,503**	118,745

9. FINANCE COSTS

	2023 EUR	2022 EUR
Interest payable on interest-bearing loans and borrowings (note 19)	**2,340,996**	882,333
Interest on bonds	**1,037,376**	1,037,500
Amortisation of bond issue costs	**126,494**	126,377
	3,504,866	2,046,210

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

10. INCOME TAX EXPENSE/(CREDIT)

The tax for the year is made up as follows:

	2023 EUR	2022 EUR
Current tax	**10,080**	9,833
Deferred tax (note 12)	**573,935**	(115,416)
Income tax expense/(credit)	**584,015**	(105,583)

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:

	2023 EUR	2022 EUR
Profit before tax	**890,601**	163,535
Theoretical tax at the applicable 35% rate	**311,710**	57,237
Tax effect of:		
- expenses not deductible for tax purposes	**2,494**	97,500
- other income not subject to tax	**(219,899)**	(165,842)
- other rates of tax	**92,570**	(94,478)
- other differences	**397,140**	-
Income tax expense/(credit)	**584,015**	(105,583)

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 11) recorded in other comprehensive income and accordingly presented directly in equity as follows:

	2023 EUR	2022 EUR
Revaluation gain on property, plant and equipment (note 11)	**-**	11,495,242
Deferred tax	-	(985,944)
Revaluation of property, plant and equipment net of tax	-	10,509,298

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

11. 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 and Revaluation					
At 1 January 2022	82,379,909	8,382,772	589,021	191,325	91,543,027
Additions	834,358	828,575	-	92,065	1,754,998
Disposal	-	(251,367)	-	-	(251,367)
Transfers	-	3,186	-	(3,186)	-
Revaluation gain	11,495,242	-	-	-	11,495,242
Depreciation transfers	(1,890,562)	(825,888)	-	-	(2,716,450)
At 31 December 2022	92,818,947	8,137,278	589,021	280,204	101,825,450
At 1 January 2023	92,818,947	8,137,278	589,021	280,204	101,825,450
Additions	27,208	958,892	89,159	509,569	1,584,828
Transfers	-	92,065	-	(92,065)	-
At 31 December 2023	**92,846,155**	**9,188,235**	**678,180**	**697,708**	**103,410,278**
Accumulated depreciation					
At 1 January 2022	942,633	1,366,822	556,610	-	2,866,065
Depreciation for the year	947,929	1,446,871	10,804	-	2,405,604
Depreciation released on disposal	-	(251,367)	-	-	(251,367)
Depreciation transfers	(1,890,562)	(825,888)	-	-	(2,716,450)
At 31 December 2022	-	1,736,438	567,414	-	2,303,852
At 1 January 2023	-	1,736,438	567,414	-	2,303,852
Depreciation for the year	942,633	1,327,508	21,437		2,291,578
At 31 December 2023	**942,633**	**3,063,946**	**588,851**	**-**	**4,595,430**
Net book value					
At 31 December 2022	92,818,947	6,400,840	21,607	280,204	99,521,598
At 31 December 2023	**91,903,522**	**6,124,289**	**89,329**	**697,708**	**98,814,848**

Had land and buildings not been included in the financial statements at revaluation less accumulated depreciation, the carrying amount as at 31 December 2023 would have been EUR27,679,263 (2022: EUR28,939,771).

As disclosed in note 17, as at 31 December, the Reporting entity had creditors for capital expenditure amounting to EUR1,171,223 (2022: EUR1,171,223).

The loan facilities are secured by a general hypothec of EUR43.3 million (2022: EUR44.3 million) over the assets of Phoenicia Malta Limited and a special hypothec of EUR43.3 million (2022: EUR44.3 million) over the land and buildings of Phoenicia Malta Limited.

In 2023 and 2022, there were no ongoing developments and thus, no borrowing costs arising from bank and other borrowings capitalised within land and buildings.

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT - continued

Revalued amount

Phoenicia Malta's property comprises a hotel building ('sites in operation') and its surrounding lands ('other sites').

An income approach is adopted by management for the valuation of the investment property. The latest valuation of the property was determined by management as at 31 December 2022 as a result of the improved results following the Covid-19 pandemic period.

The fair value of the sites in operation was determined by management based on a multi-period projection and Discounted Cash Flow ('DCF') model (2023-2031). The fair value of the other sites was determined based on multi-period projection and Discounted Cash Flow model, similar to the sites in operation, which based on the information available is deemed to be more suitable.

An update to the valuation of the property determined by the Directors was not made during the year ended 31 December 2023. Nonetheless the Directors verified all major inputs used in the previous valuation report. The Directors took into consideration that the operating company's results were ahead of expectations for the year ended 31 December 2023 and that the long term cashflows projected of the previous year remain applicable. The Directors also assessed the discount rate and the capitalisation rate against changes in discount and growth rates where nothing was identified that could cause a change in the rate. Based on these analyses, the Directors conclude that there are no material changes in inputs that would lead to significant changes in value of the property.

Valuation process

The company engages internal personnel to determine the fair value of the investment property. At the date of the valuation, management:

- verifies all major inputs in the valuation
- assess property valuation movements when compared to the prior year valuation reports

In the years where a valuation is not obtained, management verifies all major inputs used in the previous valuation report, by assessing the discount rate and the capitalisation rate against changes in discount and growth rates, as well as assessing the results achieved against the cash flow and earnings assumption used in the previous valuation. Based on these analyses management assesses whether any changes in inputs would lead to significant changes in value of the property (note 3.1).

Sites in operation

In the valuation of the sites in operation, management considered a DCF model, with a terminal value calculation, considering a long-term growth rate assumption. The model also considers a discount rate of 10.25% and long-term growth rate of 2%.

The discount rate and the free cash flows from operations, have been determined to be significant unobservable inputs. The lower the discount rate, the higher the fair value. Conversely, the lower the cash flows, the lower the fair value. An analysis of the impact of a reasonable change in the significant unobservable inputs on the fair value of the property is included below:

	Change	**Change in value EUR' million**
Cash flows	+5% / -5%	4.2 / (4.2)
Discount rate	+2% / -2%	(10)/12

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT - continued

Other sites

Similarly to the sites in operation, the valuation of the other sites, considered a DCF model, with a terminal value calculation, considering a long-term growth rate assumption. Management considered the planned development of such sites, and included costs to development within the cash flow projections, based on recent quotations obtained. The model also considers a discount rate of 13.35% and long-term growth rate of 2%.

An analysis of the impact of a reasonable change in the significant unobservable on the fair value of the property is included below:

	Change	**Change in value EUR' million**
Increase in development costs	EUR2 million	(1.4)
Discount rate	+2% / -2%	(2.8) / 3.3

Fair value hierarchy

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.

12. DEFERRED TAX

Deferred income tax at 31 December relates to the following:

	2023 EUR	2022 EUR
Deferred tax asset is attributable to the following:		
- unutilized tax losses and capital allowances	**5,882,387**	6,150,291
- excess of capital allowances over depreciation	**126,568**	160,883
- allowances for impairment	**13,819**	14,619
- expected credit losses	**4,681**	4,681
	6,027,455	6,330,474
Deferred tax liability is attributable to the following:		
- Land and buildings	**(6,737,500)**	(6,428,674)

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

12. DEFERRED TAX – continued

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.

The Directors have assessed the recognition of the deferred tax asset and 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.

13. INVENTORIES

	2023	2022
	EUR	EUR
Catering and bar supplies	**187,770**	136,151
Hotel consumables	**186,977**	102,209
	374,747	238,360

14. TRADE AND OTHER RECEIVABLES

	2023	2022
	EUR	EUR
Non-current		
Other receivables (note ii)	**50,000**	50,000
Prepayments (note iii)	**124,048**	-
	174,048	50,000
Current		
Trade receivables (note i)	**454,970**	588,726
Other receivables	**58,638**	51,094
Amounts due from parent company (note 22)	**122,308**	-
Prepayments	**186,940**	113,611
	822,856	753,431

(i) Trade receivables are presented net of expected credit losses (ECL) of EUR39,482 (2022: EUR41,768). An amount of EUR2,286 from lifetime ECL provision was debited to profit or loss during the year ended 31 December 2023 (2022: nil). 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	0-30 days	30-60 days	61-90 days	
	EUR	EUR	EUR	EUR	EUR
2023	**454,970**	**375,836**	**70,902**	**8,232**	**-**
2022	588,726	438,273	57,463	85,604	7,386

(ii) Other non-current receivables include guarantee payments which will be released once the development of property is complete.

(iii) Non-current prepayments amounting to EUR124,048 refer to transaction costs relating to a bond issue subsequent to year end (note 26).

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

15. CASH AND CASH EQUIVALENTS

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

	2023 **EUR**	2022 EUR
Cash at bank and in hand	**663,793**	1,160,084

The Reporting entity has an overdraft facility of EUR750,000 (2022: EUR750,000) 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 EUR750,000 (2022: EUR750,000) given by Phoenicia Malta Limited over its land and buildings.

16. ISSUED CAPITAL AND RESERVES

Ordinary shares

	Phoenicia Malta Limited EUR	**Phoenicia Hotel Company Limited EUR**	**Total as at December EUR**
Authorised ordinary shares:			
9,999 Ordinary shares ‘A’ of EUR1 each	9,999	-	9,999
1 Ordinary share ‘B’ of EUR1	1	-	1
1,456,000 ordinary shares of EUR 0.284375 each	-	414,050	414,050
Total authorised ordinary shares	**10,000**	**414,050**	**424,050**
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
1,454,400 ordinary shares of EUR 0.284375 each	-	413,595	413,595
Total issued and fully paid-up ordinary shares	**5,000**	**413,595**	**418,595**

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

As at 31 December 2022, the authorised, issued and fully paid-up deferred shares of EUR838,574 were made up of 1,440,000 deferred shares of 0.25 GBP each. Deferred shares were not entitled to dividends and carried no voting rights. On winding up, holders of deferred shares were entitled to repayment of capital, after the capital had been repaid in full to the holders of ordinary shares. Holders of deferred shares were not entitled to participate in any further surplus arising on winding up.

During April 2023, Phoenicia Hotel Company Limited has redesignated the deferred shares as ordinary shares. This resulted in an increase in issued ordinary share capital by 1,440,000 ordinary shares.

Other reserve

Following the redesignation of deferred share as ordinary shares, the Phoenicia Hotel Company Limited redenominated all ordinary shares from GBP 0.25 each to EUR 0.284375 each, fully paid using an exchange rate of EUR1.1375 to GBP1, resulting in an exchange difference of EUR433,365 shown as Other reserve

NOTES TO THE COMBINED FINANCIAL STATEMENTS - continued

16. ISSUED CAPITAL AND RESERVES - continued

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.

17. TRADE AND OTHER PAYABLES

	2023 EUR	2022 EUR
Trade payables	**2,128,383**	1,490,903
Accruals	**1,254,815**	1,471,409
Contract liabilities (i)	**633,491**	473,874
Indirect taxes including social security	**593,839**	940,175
Payables for capital expenditure (ii)	**1,171,223**	1,171,223
Other payables	**181,518**	158,598
Total current trade and other payables	**5,963,269**	5,706,182

(i) Contract liabilities represent advances from customers which are expected to be recognised in the profit or loss within one year. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to EUR488,854 (2022: EUR451,047). Amounts are expected to be recognised in revenue during the year ending 31 December 2024.

(ii) Payables for capital expenditure represents a retention amount arising from the recent development of Phoenicia Hotel. These amounts will remain as payable as a result of a disagreement with the main contractor, as disclosed in Note 24.

18. LOAN RECEIVABLE FROM RELATED PARTY

	2023 EUR	2022 EUR
Non-current		
Loan to related party (i)	**21,245,248**	20,000,000
Current		
Loan to related party (i)	**-**	118,745
Total loan receivable from related party	**21,245,248**	20,118,745

(i) The loan to related party (note 22) of EUR21,245,248 (2022: EUR20,118,745) is unsecured and bears an interest of 2.4% per annum plus 3 months EURIBOR per annum. The loan (capital and interest) is repayable by November 2042. Early repayments are permitted without penalty.

NOTES TO THE COMBINED FINANCIAL STATEMENTS – continued

19. INTEREST-BEARING LOANS AND BORROWINGS

	2023 EUR	2022 EUR
Non-current		
Bank loans (i)	**42,340,820**	43,340,816
4.15% Unsecured Bonds 2023-2028 (ii)	**25,000,000**	24,873,505
	67,340,820	68,214,321
Current		
Bank loans (i)	**999,996**	999,996
Accrued interest on 4.15% Unsecured Bonds 2023-2028 (ii)	**45,355**	45,479
	1,045,351	1,045,475
Total interest-bearing loans and borrowings	**68,386,171**	69,259,796

The Reporting entity has the following facilities:

(i) Bank loan facilities of EUR43,340,816 (2022: EUR44,340,812) bearing an average interest of 5.34% (2022: 2.48%) inclusive of 3 months EURIBOR per annum. The loan facilities are secured by a general hypothec for EUR43.3 million (2022: EUR44.3 million) over all the assets of Phoenicia Malta Limited. The facilities are also secured by a special hypothec of EUR43.3 million (2022: EUR44.3 million) on Phoenicia Malta Limited land and buildings. The loans are also secured by a general hypothecary guarantee of EUR43.3 million (2022: EUR44.3 million) provided by Phoenicia Hotel Company Limited.

The bank loan facilities held as at 31 December 2021, were repaid in full in November 2022 by means of another bank loan facility obtained by a related Company, Phoenicia Malta Limited, to refinance existing loan facilities of the Group.

(ii) The Unsecured Bonds are disclosed at the value of the proceeds less the unamortised balance of the issue costs, as follows:

	2023 EUR	2022 EUR
Non-current		
Bonds	**25,000,000**	25,000,000
Issue costs	**(605,698)**	(605,698)
Accumulated amortisation	**605,698**	479,203
	25,000,000	24,873,505

NOTES TO THE COMBINED FINANCIAL STATEMENTS – continued

19. INTEREST-BEARING LOANS AND BORROWINGS - continued

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 2023 for the Unsecured bonds was EUR99.00 (2022: EUR90.00).

(iii) 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:

	2023	2022
	EUR	EUR
Between one and two years	**25,424,141**	25,424,141
Between two and five years	**2,999,988**	2,999,988
More than five years	**38,916,691**	39,916,687
	67,340,820	68,340,816

20. FINANCIAL COMMITMENTS

As at 31 December 2023 and as at 31 December 2022, the Reporting entity had no significant capital commitments.

Collateral provided to the Bank by the Companies are disclosed in notes 15 and 19.

21. FAIR VALUE MEASUREMENT

IFRS 13 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS – continued

21. FAIR VALUE MEASUREMENT - continued

At 31 December 2023 and 2022 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 (level 2). The carrying value of the loan receivable approximated its fair value particularly due to carrying variable interest rate (level 2).

The fair values of non-current bank loans are not materially different from their carrying amounts particularly due to carrying variable interest rates (level 2). The fair values of non-current unsecured bonds can be defined by reference to the quoted market price (level 1) which as at 31 December 2023 was EUR99.00 (2022: EUR90.00). As at 31 December 2023, the fair value was estimated at EUR24.6 million (2022: EUR22.1 million) when compared to the carrying amount of EUR24.9 million (2022: EUR24.9 million).

22. RELATED PARTY TRANSACTIONS AND BALANCES

Note 25 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	Interest Income/ (expense)	Amounts owed (to)/ from related party	Loan (payable to)/ receivable from related party
Related parties					
Hazledene Group Limited	**2023**	**770,209**	**-**	**-**	-
	2022	488,797	-	-	-
Phoenicia Holding Lux S.à r.l.	**2023**		**1,126,503**	**122,308**	**21,245,248**
	2022	-	118,745	-	20,118,745

Hazledene Group Limited

Hazledene Group Limited is an entity in which the ultimate controlling party 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, relating to the management of the hotel operations. Amounts due to Hazledene Group Limited are interest free and are payable on demand.

Phoenicia Holding Lux S.à r.l.

The company has a balance with Phoenicia Holding Lux S.à r.l., the parent Company of the Reporting Entity, which represent balances for expenses paid by reporting entity on behalf of the related Company.

As disclosed in note 18, the loan receivable from Phoenicia Holding Lux S.A.R.L. is unsecured and bears an interest of 2.4% per annum plus 3 months EURIBOR per annum. The loan (capital and interest) is repayable by November 2042. Early repayments are permitted without penalty.

Key management personnel

Amounts payable to key management personnel as disclosed in note 7 as 'Directors remuneration'.

NOTES TO THE COMBINED FINANCIAL STATEMENTS – continued

23. 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, loan receivable 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 exposure to credit risk is represented by the carrying amount of each financial assets as disclosed in note 14 and note 15.

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 19.

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
2023	**+100**	**(958)**
	-50	**1,625**
2022	+100	(373)
	-50	168

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 as detailed in Note 2 Going concern.

NOTES TO THE COMBINED FINANCIAL STATEMENTS – continued

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk - continued

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.

	Carrying amount EUR	Undiscounted contractual cash flows EUR	Within one-year EUR	1 to 5 years EUR	Over 5 years EUR
31 December 2023					
Interest-bearing loans and borrowings	68,386,171	86,301,888	4,473,310	61,967,125	19,861,453
Trade and other payables	5,963,269	5,963,269	5,963,269	-	-
	74,349,440	**92,265,157**	**10,436,579**	**61,967,125**	**19,861,453**
31 December 2022					
Interest-bearing loans and borrowings	69,259,796	87,899,505	4,142,033	37,004,443	46,753,029
Trade and other payables	5,706,182	5,706,182	5,706,182	-	-
	74,965,978	**93,605,687**	**9,848,215**	**37,004,443**	**46,753,029**

Changes in liabilities arising from financing activities

Bank loans and other loans

	1 January EUR	Cash flows EUR	Accrued interest EUR	31 December EUR
2023	**69,259,796**	**(999,996)**	**126,371**	**68,386,171**
2022	51,555,221	17,578,198	126,377	69,259,796

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 COMBINED FINANCIAL STATEMENTS – continued

24. CONTINGENT LIABILITES

Phoenicia Hotel Company Limited, forming part of the Reporting entity, is in disagreement with the main contractor of the recent development of Phoenicia Hotel regarding certain differences between applications for payment and claims 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 Reporting entity since inception of the project.

Based on expert technical advice received, the Directors are of the opinion that no amounts are due, and accordingly, no provision is being made in the financial statements. Furthermore, Phoenicia Hotel Company Limited has a number of claims against the contractor relating to delays and defects, amongst others.

The Reporting entity continues to monitor the development with the guidance of its external legal counsel.

25. PARENT AND ULTIMATE CONTROLLING PARTY

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

26. EVENTS AFTER THE REPORTING PERIOD

During March 2024, Phoenicia Finance Company p.l.c. issued EUR50,000,000 5.75% Unsecured Bonds 2028-2033 ("New Bond") which was fully subscribed.

An amount of EUR20,000,000 of the New Bond, which was reserved for Authorised Financial Intermediaries through placement agreements, was heavily oversubscribed.

A total of EUR19,288,600 was subscribed by the existing bond holders in exchange for their respective bonds, equivalent to 77.15% of the Existing Bond. Moreover, an additional EUR6,094,500 was also subscribed by these existing bondholders, bringing a total value of EUR25,383,100.

Phoenicia Finance Company p.l.c. has further allocated a total amount of EUR4,616,900 in Bonds to Authorised Financial Intermediaries participating in the intermediaries' offer.

The proceeds were used to:

- repay the EUR25 million 4.15% Unsecured Bond 2023-2028 ("Existing Bond");
- advance EUR24 million to Phoenicia Malta Limited in order to repay a bank loan;
- cover EUR1 million bond issue expenses.

The Bonds were admitted to listing on the Official List of the Malta Stock Exchange on 11 March 2024 and trading commenced on 12 March 2024.

There were no other events after the reporting period which require disclosure in these financial statements.