

**Registration Number C 6138**

**Sea Pebbles Limited**

**Report and Financial Statements**

**for the year ended 31st December 2017**

# Sea Pebbles Limited

## Contents

	<b>Page</b>
Directors' Report	1 - 2
Independent Auditors' Report	3 - 4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 19

# Sea Pebbles Limited

## Directors' Report

for the year ended 31st December 2017

---

<b>Directors</b>	Joseph Casha Josephine Casha
<b>Registered address</b>	89 The Strand Sliema SLM 1022

---

The directors present their report and the audited financial statements for the year ended 31st December 2017.

### Principal activities

The principal activity of the company is the running of a hotel in Sliema.

### Business review

The profit for the year amounted to € 384,146 (2016 : Profit of € 421,441).

### Dividends and reserves

The results for the year are set out on page 5.

The directors have paid a dividend amounting to € 725,000 and propose to transfer the profit for the year to reserves.

### Events after the reporting period

There were no particular important events affecting the company which occurred since the end of the accounting period.

### Future developments

The directors intend to continue to operate in line with their current business plan.

### Directors

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

# Sea Pebbles Limited

## Directors' Report

for the year ended 31st December 2017

---

### Directors' responsibilities

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

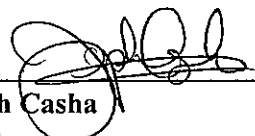
- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting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

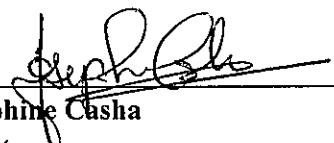
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding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

### Auditors

The auditor, Steven Galea CPA, has intimated his willingness to remain in office and a resolution proposing his reappointment will be put before the members at the next annual general meeting.

This report was approved and authorised for issue by the Board of Directors on 25th October 2018, and signed on its behalf by:

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

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

# **Sea Pebbles Limited**

## **Independent Auditor's Report**

To the Members of Sea Pebbles Limited

---

### **Opinion**

I have audited the accompanying financial statements of Sea Pebbles Limited, which comprise the Statement of Financial Position as at 31st December 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

### **Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company 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 my 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) in Malta, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Directors**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

# Sea Pebbles Limited

## Independent Auditor's Report

To the Members of Sea Pebbles Limited

---

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.



---

**Steven Galea**  
**Certified Public Accountant**

37  
St. Mary Street  
Naxxar NXR 1406  
Malta

**Date : 25th October 2018**

## Sea Pebbles Limited

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st December 2017

	Notes	2017 €	2016 €
<b>Revenue</b>	<b>2</b>	1,371,729	1,284,324
Cost of sales		(236,590)	(250,119)
<b>Gross profit</b>		<u>1,135,139</u>	<u>1,034,205</u>
Administrative expenses		(465,748)	(486,183)
Other operating income	<b>4</b>	60,540	54,300
<b>Operating profit</b>	<b>5</b>	<u>729,931</u>	<u>602,322</u>
Investment income	<b>6</b>	-	1,304
Finance costs	<b>7</b>	(141,235)	(137,695)
<b>Profit before taxation</b>		<u>588,696</u>	<u>465,931</u>
Income tax	<b>8</b>	(204,550)	(44,490)
<b>Profit for the year</b>		<u>384,146</u>	<u>421,441</u>
<b>Other comprehensive income</b>			
Movement on revaluation of property		4,056,229	-
<b>Total comprehensive income</b>		<u>4,440,375</u>	<u>421,441</u>

The notes on pages 9 to 19 form an integral part of these financial statements.

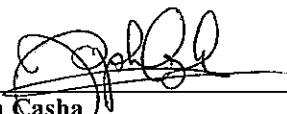
# Sea Pebbles Limited

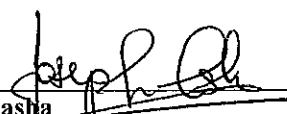
## Statement of Financial Position

at 31st December 2017

	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	20,539,064	16,284,218
<b>Current assets</b>			
Trade and other receivables	10	337,794	489,520
Current tax recoverable	11	-	10,186
Cash at bank and in hand	12	59,725	398,787
		<u>397,519</u>	<u>898,493</u>
<b>Total assets</b>		<u>20,936,583</u>	<u>17,182,711</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up issued share capital	13	465,875	465,875
Revaluation reserve		14,793,278	12,627,849
Retained earnings		730,643	1,071,497
<b>Total equity</b>		<u>15,989,796</u>	<u>14,165,221</u>
<b>Non-current liabilities</b>			
Long-term borrowings	14	2,159,934	2,439,305
Deferred taxation	15	2,057,615	150,618
		<u>4,217,549</u>	<u>2,589,923</u>
<b>Current liabilities</b>			
Short-term borrowings	14	306,135	295,487
Trade and other payables	16	235,244	127,095
Current tax payable	11	187,859	4,985
		<u>729,238</u>	<u>427,567</u>
<b>Total liabilities</b>		<u>4,946,787</u>	<u>3,017,490</u>
<b>Total equity and liabilities</b>		<u>20,936,583</u>	<u>17,182,711</u>

The financial statements were approved and authorised for issue by the Board of Directors on 25th October 2018, and signed on its behalf by:

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

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

The notes on pages 9 to 19 form an integral part of these financial statements.



# Sea Pebbles Limited

## Statement of Changes in Equity for the year ended 31st December 2017

	Called-up issued share capital €	Revaluation reserve €	Retained earnings €	Total €
<b>At 1st January 2016</b>	465,875	12,627,849	750,056	13,843,780
Profit for the year	-	-	421,441	421,441
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	421,441	421,441
Dividends	-	-	(100,000)	(100,000)
<b>At 31st December 2016</b>	465,875	12,627,849	1,071,497	14,165,221
Profit for the year	-	-	384,146	384,146
Other comprehensive income				
- Movement on revaluation of property	-	4,056,229	-	4,056,229
Total comprehensive income	-	4,056,229	384,146	4,440,375
Deferred tax on revaluation of property	-	(1,890,800)	-	(1,890,800)
Dividends	-	-	(725,000)	(725,000)
<b>At 31st December 2017</b>	465,875	14,793,278	730,643	15,989,796

# Sea Pebbles Limited

## Statement of Cash Flows

for the year ended 31st December 2017

	2017	2016
	€	€
<b>Cash flows from operating activities</b>		
Operating profit	729,931	602,322
Adjustments for:		
Depreciation	172,634	164,142
	<u>902,565</u>	<u>766,464</u>
Working capital changes:		
Movement in trade and other receivables	151,726	136,642
Movement in trade and other payables	108,149	47,529
Cash flows from operations	1,162,440	950,635
Interest paid	(141,235)	(137,695)
Dividends received	-	1,304
Taxation refunded	10,186	-
Taxation paid	(5,479)	(2,018)
Net cash flows from operating activities	<u>1,025,912</u>	<u>812,226</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(371,251)	(961,993)
Disposal of investments	-	46,587
Net cash flows from investing activities	<u>(371,251)</u>	<u>(915,406)</u>
<b>Cash flows from financing activities</b>		
Movement in related party loan	-	(99,540)
Movement in bank loan	(293,528)	360,453
Dividends paid	(725,000)	(100,000)
Net cash flows from financing activities	<u>(1,018,528)</u>	<u>160,913</u>
<b>Movement in cash and cash equivalents</b>	<u>(363,867)</u>	<u>57,733</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Movement in cash and cash equivalents	(363,867)	57,733
Cash and cash equivalents at start of year	398,787	341,054
Cash and cash equivalents at end of year	<u>34,920</u>	<u>398,787</u>
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	59,725	398,787
Bank overdraft	(24,805)	-
	<u>34,920</u>	<u>398,787</u>

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

---

### 1. General information

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

### 2. Accounting policies

#### *Accounting convention and basis of preparation*

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

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

#### *Property, plant and equipment*

Property, plant and equipment are initially recorded at cost. Except for land and buildings, they are subsequently stated at cost less accumulated depreciation and impairment losses. After initial recognition, land and buildings are stated at fair value.

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

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

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

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

---

### *Financial assets*

Loans and receivables are stated at fair value, net of any impairment. A provision for impairment of loans and receivables is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of payment. Loans and receivables are considered for impairment on a case by case basis and any provision is based on the directors' assessment of the amount recoverable on each receivable. Any change in value of loans and receivables is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### *Financial liabilities*

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

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

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

### *Share capital*

Ordinary shares are classified as equity.

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

### *Impairment*

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

### *Leasing and hire purchase commitments*

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

### *Foreign currencies*

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

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### *Revenue*

Revenue represents the invoiced value of goods sold and services rendered, net of taxes. Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction.

### *Cash and cash equivalents*

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

### 3. Critical accounting estimates and judgements

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

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

### 4. Other operating income

	2017	2016
	€	€
Income from restaurant	55,000	42,500
Government grants received	-	7,000
Service charge receivable	5,500	4,800
Cessation of rights on promise of sale	40	-
	<u>60,540</u>	<u>54,300</u>

### 5. Operating profit

	2017	2016
	€	€
Operating profit is stated after charging:		
Staff costs	<i>Note</i> 86,115	59,242
Directors' remuneration	<i>Note</i> 900	5,225
Depreciation	172,634	164,142
Auditors' remuneration	4,000	2,200
Government grants	<u>-</u>	<u>7,000</u>

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

---

<i>Staff costs</i>	2017	2016
	€	€
Wages and salaries (including directors' remuneration)	79,722	59,255
Social security costs	7,293	5,212
	<u>87,015</u>	<u>64,467</u>

	2017	2016
<b>Number of employees</b>		
The average number of employees (including the directors) during the year was:		
Operations and administration	<u>6</u>	<u>5</u>

<b>6. Investment income</b>	2017	2016
	€	€
Income from associate undertaking	<u>-</u>	<u>1,304</u>

<b>7. Finance costs</b>	2017	2016
	€	€
Interest on bank overdraft	15	677
Interest on bank loans	139,658	136,732
Hire purchase interest	1,562	286
	<u>141,235</u>	<u>137,695</u>

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### 8. Income tax

	2017	2016
	€	€
Malta Income Tax :		
Current - for the year	173,820	5,441
- under provision in respect of previous years	14,533	-
Deferred	16,197	39,049
Tax charge for the year	<u>204,550</u>	<u>44,490</u>

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

	2017	2016
	€	€
Profit before taxation	<u>588,696</u>	<u>465,931</u>
Tax thereon at 35%	206,044	163,076
Expenses disallowed for tax purposes	14,497	14,477
20% further deduction on rental income	-	-
Tax credits	(15,991)	(133,063)
Tax charge for the year	<u>204,550</u>	<u>44,490</u>

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### 9. Property, plant and equipment

	Land and buildings €	Motor vehicles €	Equipment €	Electrical installation €	Furniture and fittings €	Computer equipment €	Total €
<b>Cost/revaluation</b>							
At 1st January 2016	14,889,324	3,400	325,622	31,365	902,000	36,189	16,187,900
Additions	517,101	29,661	102,571	166,389	142,843	3,428	961,993
At 31st December 2016	15,406,425	33,061	428,193	197,754	1,044,843	39,617	17,149,893
At 1st January 2017	15,406,425	33,061	428,193	197,754	1,044,843	39,617	17,149,893
Additions	297,604	-	22,319	17,594	33,734	-	371,251
Revaluation	4,056,229	-	-	-	-	-	4,056,229
At 31st December 2017	19,760,258	33,061	450,512	215,348	1,078,577	39,617	21,577,373
<b>Depreciation</b>							
At 1st January 2016	153,424	2,040	203,868	18,246	287,928	36,027	701,533
Charge for the year	57,441	6,612	30,935	19,113	49,089	952	164,142
At 31st December 2016	210,865	8,652	234,803	37,359	337,017	36,979	865,675
At 1st January 2017	210,865	8,652	234,803	37,359	337,017	36,979	865,675
Charge for the year	61,393	6,612	32,124	20,872	50,776	857	172,634
At 31st December 2017	272,258	15,264	266,927	58,231	387,793	37,836	1,038,309
<b>Net book value</b>							
At 31st December 2017	19,488,000	17,797	183,585	157,117	690,784	1,781	20,539,064
At 31st December 2016	15,195,560	24,409	193,390	160,395	707,826	2,638	16,284,218
At 31st December 2015	14,735,900	1,360	121,754	13,119	614,072	162	15,486,367



# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

---

### Fair value measurement of the Company's land and buildings

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 19th December 2017 were performed by an independent valuer not related to the Company.

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

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

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

	2017 €	2016 €
Land and buildings	<u>2,803,922</u>	<u>2,567,711</u>

### 10. Trade and other receivables

	2017 €	2016 €
Directors' current account	-	438,366
Amounts owed by related company	<i>Note</i> 335,404	37,665
Other receivables	2,390	13,489
Financial assets	<u>337,794</u>	<u>489,520</u>

#### *Related company*

The amount owed by a related company is unsecured, interest free and repayable upon demand.

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### 11. Current tax recoverable/payable

	2017	2016
	€	€
The tax provision is made up of:		
Balance at beginning of year	5,201	8,624
Provision for the year	(173,820)	(5,441)
Settlement tax paid	4,985	1,562
Provisional tax paid	494	-
Tax repaid	(10,186)	-
Tax paid at source	-	456
Balance at end of year	<u>(173,326)</u>	<u>5,201</u>

### 12. Cash at bank and in hand

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

### 13. Called up issued share capital

	2017	2016
	€	€
<b>Authorised</b>		
200,000 Ordinary shares of €2.329373 each	<u>465,875</u>	<u>465,875</u>
<b>Called up issued and fully paid-up</b>		
200,000 Ordinary shares of €2.329373 each	<u>465,875</u>	<u>465,875</u>

### 14. Borrowings

	2017	2016
	€	€
<b>Falling due within one year:</b>		
Bank overdraft	<i>Note</i> 24,805	-
Bank loans	<i>Note</i> 281,330	295,487
<b>Short-term borrowings</b>	<u>306,135</u>	<u>295,487</u>
<b>Falling due in between two and five years:</b>		
Bank loans	<i>Note</i> 1,069,259	1,309,600
<b>Falling due in five years or more:</b>		
Bank loans	<i>Note</i> 1,090,675	1,129,705
<b>Long-term borrowings</b>	<u>2,159,934</u>	<u>2,439,305</u>

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### *Bank overdraft*

As at 31st December 2017 the company had a bank overdraft facility of €93,000. This facility is secured by a general hypothec over the company's assets, a special hypothec over the company's immovable property, a general hypothecary guarantee over directors' assets, a special hypothecary guarantee over directors' immovable property and by pledges over various insurance policies.

### *Bank loans*

At 31st December 2017, the company had six bank loans of €1,251,103, €296,092, €329,644, €15,670, €462,213 and €86,544. These loans are repayable in monthly installments of €14,773, €3,571, €7,709, €3,800, €4,000 and €2,275 respectively, inclusive of interest.

## 15. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2017	2016
	€	€
Excess of capital allowances over depreciation	166,815	150,618
Surplus on revaluation of property	1,890,800	-
	<u>2,057,615</u>	<u>150,618</u>

## 16. Trade and other payables

	2017	2016
	€	€
Trade payables	56,409	80,252
Amounts owed to related companies	Note 110,364	6,484
Indirect taxes	22,100	1,832
Other payables	15,000	15,000
Accruals	31,371	23,527
	<u>235,244</u>	<u>127,095</u>

### *Amounts owed to related companies*

These amounts are unsecured, interest free and are repayable upon demand.

## 17. Contingent liabilities

The Company is standing as surety against the debt of a third party for the value of €945,000 (originally €1,050,000), secured by immovable property owned by the Company. This debt is repayable by the third party debtor in nine equal annual instalments of €105,000. This debt is also personally guaranteed by the directors of the Company. The directors consider the likelihood of the third party defaulting on the instalments, and the Company being called upon to make good for this debt, to be very remote.

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

### 18. Risk management objectives and policies

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

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

#### *Credit risk*

The entity's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 10 and 12.

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

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

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

#### *Liquidity risk*

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

At 31st December 2017 and 31st December 2016, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

	Less than 6 months 2017 €	From 6 to 12 months 2017 €	From 1 to 5 years 2017 €	More than 5 years 2017 €	Less than 6 months 2016 €	From 6 to 12 months 2016 €	From 1 to 5 years 2016 €	More than 5 years 2016 €
Bank borrowings	146,758	134,572	1,069,259	1,090,675	145,775	149,712	1,146,600	1,292,705

#### *Foreign currency risk*

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

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

#### *Interest rate risk*

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

# Sea Pebbles Limited

## Notes to the Financial Statements

for the year ended 31st December 2017

---

**19. Ultimate controlling party**

The company is controlled by Mr Joseph Casha and Mrs Josephine Casha who own an aggregate of 100% of its issued share capital.

**20. Capital management policies and procedures**

The entity's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital. The entity monitors the level of debt, which includes borrowings and trade and other payables less cash and cash equivalents, against total capital on an ongoing basis.

**19. Statutory information**

Sea Pebbles Limited is a limited liability company and is incorporated in Malta.

# Sea Pebbles Limited

## Detailed Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2017

	2017		2016	
	€	€	€	€
<b>Revenue</b>		1,371,729		1,284,324
<b>Cost of sales</b>				
Purchases	236,590		250,119	
		<u>(236,590)</u>		<u>(250,119)</u>
<b>Gross profit</b>		1,135,139		1,034,205
<b>Administrative expenses</b>		<u>(465,748)</u>		<u>(486,183)</u>
		669,391		548,022
<b>Other operating income</b>				
Income from restaurant	55,000		42,500	
Government grants received	-		7,000	
Service charge receivable	5,500		4,800	
Cessation of rights on promise of sale	40		-	
		<u>60,540</u>		<u>54,300</u>
<b>Operating profit</b>		729,931		602,322
<b>Investment income</b>				
Income from associate undertaking		-		1,304
<b>Finance costs</b>				
Interest on bank overdraft	15		677	
Interest on bank loan	139,658		136,732	
Hire purchase interest	1,562		286	
		<u>(141,235)</u>		<u>(137,695)</u>
<b>Profit on ordinary activities before taxation</b>		<u>588,696</u>		<u>465,931</u>

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

# Sea Pebbles Limited

## Administrative Expenses

for the year ended 31st December 2017

	2017	2016
	€	€
<b>Administrative expenses</b>		
Wages and salaries	86,115	59,242
Directors' remuneration	900	5,225
Licences and permits	4,122	8,700
Insurance	8,887	15,218
Water and electricity	75,775	66,495
Repairs and maintenance	46,998	48,157
Stationery and postages	3,360	4,774
Advertising	8,049	10,169
Telecommunication costs	9,261	9,477
Transportation expenses	2,102	1,739
Legal and professional	7,989	40,156
Accountancy fees	4,043	5,680
Audit fees	4,000	2,200
Bank charges	30,743	43,985
General expenses	157	222
Subscriptions	613	602
Depreciation on property, plant and equipment	172,634	164,142
	<u>465,748</u>	<u>486,183</u>

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