SP FINANCE p.l.c
No. 89, The Strand,
Sliema,
Malta.

Co. Registration No. C-89462

Ref: SPF - 26/2021

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by SP Finance p.l.c. a company registered under the laws of Malta with company registration number C-89462 (the "Company") pursuant to Listing Rules issued by the Listing Authority.

Quote

The Company announces that the annual audited financial statements of Sea Pebbles Limited (guarantor of the SP Finance p.l.c €12million 2029 4% Secured Bonds) for the financial year ended 31st December 2020, have been approved by the Board of Directors of Sea Pebbles Limited, are attached to the present Company Announcement and are also available for viewing at the registered office of the Company as also in the Investor Relations section on the Company's web portal.

Unquote

Dr. Andrea Micallef
Company Secretary
30th April 2021

Registration Number C 6138

SEA PEBBLES LIMITED

Report and Financial Statements

for the year ended 31st December 2020

SEA PEBBLES LIMITED

Contents

	Page
Directors' Report	**1 - 4**
Independent Auditors' Report	**5 - 7**
Statement of Profit or Loss and Other Comprehensive Income	**8**
Statement of Financial Position	**9 - 10**
Statement of Changes in Equity	**11**
Statement of Cash Flows	**12**
Notes to the Financial Statements	**13 - 35**

Directors' Report
for the year ended 31st December 2020

Directors	Joseph Casha Josephine Casha
Registered address	89 The Stand Sliema SLM 1022

The directors present their report and the audited financial statements for the year ended 31st December 2020.

Principal activity

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

Business review

The loss for the year amounted to € 276,890 (2019 : Profit of € 163,430). The revenue for the year amounted to € 344,814 (2019 : € 1,453,023).

The significant decreases in revenue and profitability are solely attributable to the travel restrictions imposed by global health authorities due to the COVID-19 pandemic which resulted in a year-on-year decrease of approximately 75% in the number of tourists visiting Malta between 2019 and 2020. The Malta International Airport was practically closed between March and June 2020 forcing the Company's hotel operation, being its principal source of revenue, to come to a standstill during that period.

Dividends and reserves

The results for the year are set out on page 8.

The directors have paid a final dividend amounting to € 407,980.

Statement regarding Covid-19

The COVID-19 pandemic that impacted the world in 2020 and continues to impact it to this day has had severe repercussions on global economies. The tourism industry was particularly badly hit due to travel restrictions imposed by governments on the advice of health authorities. Even in the absence of government-imposed restrictions, travellers were nonetheless reluctant to be away from home during uncertain times and constantly changing travel restrictions, resulting, as stated above, in a decrease of 75% in the number of tourists visiting Malta in 2020 compared to 2019.

The company generates its revenue almost exclusively through the operation of its hotel. It does not have, and is not expected to have in the foreseeable future, any alternative sources of revenue that can mitigate the negative effects brought about by COVID-19. Its financial performance was therefore inevitably impacted by COVID-19 and will continue to be impacted until the pandemic subsides, and the travel industry returns to its pre-COVID-19 levels.

The directors and senior management worked tirelessly from the beginning of the pandemic to ensure that the company was able to survive these difficult times. Management implemented an aggressive cost containment strategy, from when it became apparent that COVID-19 was going to have a significant effect on the company's operations.

The company welcomed the measures offered by government to support wages of its staff as a positive assistance to reduce the largest expense, payroll, without which, mass redundancies would have been inevitable. Deferment of taxes also helped to reduce pressures on working capital during the peak of the pandemic. The company also benefitted from the MDB Covid-19 Guarantee Scheme whereby it obtained additional funds of €589 K to finance its working capital.

In view of the long duration of the effect of this pandemic, the directors have made a thorough evaluation of the short- to medium-term likely impact of the pandemic on the company's finances, especially with a view to determine the probability that the company will continue with its operations in the foreseeable future.

In making this evaluation, the directors acknowledged that the company's financial prospects are intrinsically linked to factors concerning COVID-19 that are uncertain and completely beyond its control, such as:

- The date when the pandemic will be declared by global health authorities as no longer constituting a health hazard;
- The travel restrictions that governments may continue to impose before and even after the health hazard is over, especially in the United Kingdom which represents the major source country for tourists staying in the company's hotel;
- Travellers' willingness to take holidays outside their home country even when the pandemic is over;
- Other restrictions that may continue to be imposed by local authorities such as that relating to the number of people who can assemble in groups;
- The continued availability and effectiveness of vaccines especially in view of new virus variants that are periodically emerging throughout the world;
- The willingness of people to be vaccinated in sufficiently large numbers as to ensure the attainment of 'herd immunity' within the community.

Apart from the uncertainties concerning COVID-19 that impact its revenue stream, the company faces other uncertainties concerning its cost-base and financing, among which:
- The extent to which the COVID-19 wage supplement will be extended by the authorities;
- The extension of the moratorium on the repayment of the MDB COVID-19 loan, which in the absence of an extension, the company would start repaying in September 2021.

Within this context of pervasive uncertainty that by its nature cannot be effectively mitigated, the directors requested management to prepare detailed financial projections based on various assumptions regarding the timing and pace of the post-pandemic recovery.

The financial projections that were considered by the directors as representing the most prudent - realistic scenario were those that assumed that results in FY 2021 will be marginally better than those attained in FY 2020. However, there are far too many variables at time of writing to make any definitive statements.

In determining whether, in the context of the financial projections referred to in the previous paragraph, the directors consider the company to be unlikely to continue operating in the foreseeable future, several additional factors were taken into account, namely:

- The company's hotel's very high customer reviews on the most popular online booking sites, which augurs well for high room-occupancy levels when international travel resumes, as well as decent occupancy levels until then when the hotels are open mainly for local clients;

- The high probability that the moratorium on the MDB loans will be extended by six months, thus signifying that repayment of the loans will start in March 2022 rather than September 2021;

- The excellent relationship the company enjoyed with its bankers over the last decades, which suggests that additional bank financing, if needed, will likely be forthcoming;

- A commitment in writing issued by Sea Pebbles Properties Limited, a related company outside the Group of which the company forms part, in favour of the Group that any cash shortfall that may result within the Group in the period up to April 2022 will be loaned to this company on very favourable terms. The cash will be generated by Sea Pebbles Properties Limited from properties it is expected to sell up to April 2022.

Following this detailed assessment, the directors concluded that if the company is unable to generate sufficient financial resources through its operations because of the global pandemic, it is very likely it will be able to access adequate external financial resources, including from related companies, as to permit it to continue in operational existence for the foreseeable future. Therefore the directors hereby state that these financial statements have been prepared on the going concern basis.

Directors

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

Directors' responsibilities

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

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

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

SEA PEBBLES LIMITED

Directors' Report
for the year ended 31st December 2020

Auditors

The auditors, Steven Galea and Associates Limited, have intimated their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

This report was approved and authorised for issue by the Board of Directors on 29th April 2021, and signed on its behalf by:

Joseph Casha
Director

Josephine Casha
Director

Independent Auditors' Report
To the Members of Sea Pebbles Limited

Opinion

We have audited the accompanying financial statements of Sea Pebbles Limited, which comprise the Statement of Financial Position as at 31st December 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Sea Pebbles Limited as of 31st December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

Basis for Opinion

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

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

Material Uncertainty Relating to Going Concern as a result of Covid-19

We draw attention to Note 2 to these financial statements which describes the directors' assessment of the estimated impact of Covid-19 on the Company's projected financial results, cash flows and financial position, taking cognisance of the unprecedented nature of the adverse economic conditions currently being experienced. These events or conditions, along with other matters as set forth in the said Note, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

Steven Galea and Associates Ltd
37, St. Mary Street
Naxxar NXR 1406, Malta

stevengalea.com

+356 2166 6690/1/2
office@stevengalea.com
VAT No. MT2666-4409

Independent Auditors' Report
To the Members of Sea Pebbles Limited

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

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

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Steven Galea and Associates Ltd
37, St. Mary Street
Naxxar NXR 1406, Malta
stevengalea.com
+356 2166 6690/1/2
office@stevengalea.com
VAT No. MT2666-4409

Independent Auditors' Report
To the Members of Sea Pebbles Limited

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

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

Report on Other Legal and Regulatory Frameworks

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

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

Steven Galea

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

Date : 29th April 2021

Steven Galea and Associates Ltd
37, St. Mary Street
Naxxar NXR 1406, Malta

stevengalea.com

+356 2166 6690/1/2
office@stevengalea.com
VAT No. MT2666-4409

SEA PEBBLES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31st December 2020

	Notes	2020 €	2019 €
Revenue	2	344,814	1,453,023
Cost of sales		(356,855)	(828,261)
Gross profit		(12,041)	624,762
Administrative expenses		(84,658)	(65,260)
Other operating income	4	47,688	68,750
Loss on sale of property, plant and equipment		-	(14,000)
Earnings before interest, tax and depreciation		(49,011)	614,252
Depreciation		(180,241)	(183,970)
Operating (loss)/profit	5	(229,252)	430,282
Finance costs	6	(129,114)	(124,860)
(Loss)/profit before taxation		(358,366)	305,422
Income tax	7	81,476	(141,992)
(Loss)/profit for the year		(276,890)	163,430
Total comprehensive income		(276,890)	163,430

The notes on pages 13 to 35 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position
at 31st December 2020

	Notes	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	22,149,796	22,035,494
Investment property	**9**	6,004,491	5,974,491
Right-of-use assets	**11**	20,445	23,853
Other financial assets at amortised cost	**12**	631,997	1,082,482
		28,806,729	29,116,320
Current assets			
Trade and other receivables	**13**	87,854	106,196
Other financial assets at amortised cost	**12**	265,000	-
Cash at bank and in hand	**14**	68,958	527,135
		421,812	633,331
Total assets		29,228,541	29,749,651

The notes on pages 13 to 35 form an integral part of these financial statements.

SEA PEBBLES LIMITED

Statement of Financial Position
at 31st December 2020

	Notes	2020 €	2019 €
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	15	4,215,875	4,215,875
Revaluation reserve	16	14,799,920	14,799,920
Other reserves	16	3,888,100	3,992,053
Retained earnings		206,346	787,263
Total equity		23,110,241	23,795,111
Non-current liabilities			
Long-term borrowings	17	2,823,784	2,535,443
Deferred taxation	18	2,412,667	2,494,143
Lease liabilities	11	17,353	20,883
		5,253,804	5,050,469
Current liabilities			
Short-term borrowings	17	509,072	334,000
Trade and other payables	19	178,996	340,706
Current tax payable	20	172,930	226,100
Lease liabilities	11	3,498	3,265
		864,496	904,071
Total liabilities		6,118,300	5,954,540
Total equity and liabilities		29,228,541	29,749,651

The financial statements were approved and authorised for issue by the Board of Directors on 29th April 2021, and signed on its behalf by:

Joseph Casha
Director

Josephine Casha
Director

The notes on pages 13 to 35 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31st December 2020

	Called-up issued share capital	Revaluation reserve	Retained earnings	Share issue costs reserve	Capital contribution reserve	Fair value gain reserve	Total
	€	€	€	€	€	€	€
At 1st January 2019	465,875	14,799,920	890,375	-	-	2,938,013	19,094,183
Profit for the year	-	-	163,430	-	-	-	163,430
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	163,430	-	-	-	163,430
Issue of share capital	3,750,000	-	-	(100,340)	-	-	3,649,660
Transfer against interest on loan from parent	-	-	67,458	-	(67,458)	-	-
Dividends	-	-	(334,000)	-	-	-	(334,000)
Transfer of below-market element on loan from parent	-	-	-	-	1,221,838	-	1,221,838
At 31st December 2019	4,215,875	14,799,920	787,263	(100,340)	1,154,380	2,938,013	23,795,111
Loss for the year	-	-	(276,890)	-	-	-	(276,890)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	(276,890)	-	-	-	(276,890)
Transfer against interest on loan from parent	-	-	103,953	-	(103,953)	-	-
Dividends	-	-	(407,980)	-	-	-	(407,980)
At 31st December 2020	4,215,875	14,799,920	206,346	(100,340)	1,050,427	2,938,013	23,110,241

SEA PEBBLES LIMITED

Statement of Cash Flows
for the year ended 31st December 2020

	2020 €	2019 €
Cash flows from operating activities		
Operating (loss)/profit	(229,252)	444,282
Adjustments for:		
Recharge of surrendered losses from group companies	-	(88,984)
Depreciation	180,241	183,970
	(49,011)	539,268
Working capital changes:		
Movement in trade and other receivables	307,780	(80,319)
Movement in trade and other payables	(150,811)	86,662
Cash flows from operations	107,958	545,611
Interest paid	(129,114)	(124,860)
Taxation paid	(53,170)	(173,326)
Net cash flows from operating activities	(74,326)	247,425
Cash flows from investing activities		
Acquisition of investment property	(30,000)	(2,163,091)
Acquisition of property, plant and equipment	(291,135)	(3,025,403)
Proceeds from disposal of property, plant and equipment	-	700,000
Net cash flows from investing activities	(321,135)	(4,488,494)
Cash flows from financing activities		
Movement in shareholders' loan	-	3,689,823
Movement in bank loans	287,141	(2,161,693)
Movement in other borrowings	(3,297)	(3,113)
Issue of share capital	-	3,649,660
Dividends paid	(407,980)	(334,000)
Net cash flows from financing activities	(124,136)	4,840,677
Movement in cash and cash equivalents	(519,597)	599,608
Reconciliation of net cash flow to movement in net funds		
Movement in cash and cash equivalents	(519,597)	599,608
Cash and cash equivalents at start of year	527,135	(72,473)
Cash and cash equivalents at end of year	7,538	527,135
Cash and cash equivalents		
Cash at bank and in hand	68,958	527,135
Bank overdraft	(61,420)	-
	7,538	527,135

1. General information

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

2. Accounting policies

Accounting convention and basis of preparation

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

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

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

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

Assessment of the appropriateness of the going concern assumption as a result of the effects of Covid-19

The directors are conscious that in common with similar businesses operating in the hospitality industry all judgements reached at this stage remain subject to material degree of underlying uncertainty, however the following matters are considered to constitute a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

In FY 2020, the directors worked tirelessly from the beginning of the pandemic to ensure that the company was able to survive these difficult times. Various cost cutting measures were taken to compensate for the loss of revenue and to preserve the liquidity of the company, with a target to reduce overall operating costs significantly. The company welcomed the measures offered by government to support wages of its staff as a positive assistance to reduce the largest expense, payroll, without which, mass redundancies would have been inevitable. Deferment of taxes also helped to reduce pressures on working capital during the peak of the pandemic.

To respond to the severe downside scenario, the company also obtained a loan facility of €589 K and has taken further actions by reducing the non-essential expenditure, freezing non-essential recruitment, and reducing working hours.

In view of the long on-going effect of this pandemic, the directors have made a thorough evaluation of the short- to medium-term likely impact of the pandemic on the company's finances, especially with a view to determine the probability that the company will continue with its operations in the foreseeable future.

In making this evaluation, the directors acknowledged that the company's financial prospects are intrinsically linked to factors concerning COVID-19 that are uncertain and completely beyond its control, such as:

- The date when the pandemic will be declared by global health authorities as no longer constituting a health hazard;
- The travel restrictions that governments may continue to impose before and even after the health hazard is over, especially in the United Kingdom which represents the major source country for tourists staying in the company's hotel;
- Travellers' willingness to take holidays outside their home country even when the pandemic is over;
- Other restrictions that may continue to be imposed by local authorities such as that relating to the number of people who can assemble in groups;
- The continued availability and effectiveness of vaccines especially in view of new virus variants that are periodically emerging throughout the world;
- The willingness of people to be vaccinated in sufficiently large numbers as to ensure the attainment of 'herd immunity' within the community.

Apart from the uncertainties concerning COVID-19 that impact its revenue stream, the company faces other uncertainties concerning its cost-base and financing, among which:

- The extent to which the COVID-19 wage supplement will be extended by the authorities;
- The extension of the moratorium on the repayment of the Malta Development Bank loans, which in the absence of an extension, the company would start repaying in September 2021.

Within this context of pervasive uncertainty that by its nature cannot be effectively mitigated, the directors requested management to prepare detailed financial projections based on various assumptions regarding the timing and pace of the post-pandemic recovery.

The financial projections that were considered by the directors as representing the most prudent - realistic scenario were those that assumed that results in FY 2021 will be marginally better than those attained in FY2020. However, there are far too many variables at time of writing to make any definitive statements.

In determining whether, in the context of the financial projections referred to in the previous paragraph, the directors consider the company to be unlikely to continue operating in the foreseeable future, several additional factors were taken into account, namely:

- The company's hotel's very high customer reviews on the most popular online booking sites, which augurs well for high room-occupancy levels when international travel resumes, as well as decent occupancy levels until then when the hotels are open mainly for local clients;
- The high probability that the moratorium on the MDB loans will be extended by six months, thus signifying that repayment of the loans will start in March 2022 rather than September 2021;
- The excellent relationship the company enjoyed with its bankers over the last decades, which suggests that additional bank financing, if needed, will likely be forthcoming;
- A commitment in writing issued by Sea Pebbles Properties Limited, a related company outside the Group of which the company forms part, in favour of the Group that any cash shortfall that may result within the Group in the period up to April 2022 will be loaned to this company on very favourable terms. The cash will be generated by Sea Pebbles Properties Limited from properties it is expected to sell up to April 2022.

Following this detailed assessment, the directors concluded that if the company is unable to generate sufficient financial resources through its operations because of the global pandemic, it is very likely it will be able to access adequate external financial resources, including from related companies, as to permit it to continue in operational existence for the foreseeable future.

Accordingly, based on the outcome of the cash flow projections in a prudent scenario as referred to, the directors consider the going concern assumption in the preparation of the company's financial statements as appropriate as at the date of authorisation for issue of the 2020 financial statements.

New and revised standards that are effective for the current period
In the current year, the entity has adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

<u>IAS 1 and IAS 8 Amendment – Definition of Material</u>
As of 1 January 2020, an amendment to IAS 1 and IAS 8 definition of Material came into effect. The amendment clarifies the definition of material and how it should be applied by including in the definition guidance that until now has features elsewhere un IFRS standard. In addition, the explanation accompanying the definition have been improved. Finally, the amendment ensures that the definition of material is consistent across all IFRS standard.

Other accounting amendments effective as from 1 January 2020 did not have a significant impact on the company's financial results, position, cashflows and accounting policies.

New and revised standards that are issued but not yet effective
Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1st January 2021. The company has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

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

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

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

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

Financial assets

Financial assets are recognised when the entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derocognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities

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

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

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

Share capital

Ordinary shares are classified as equity.

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

Impairment

Impairment testing for intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which asset's (or cash generating unit's) carrying amount exceeds its recoverable amount, which is higher of fair value less costs of disposal and value-in-use. These assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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

Impairment of financial assets

Impairment calculations for financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. In applying this forward-looking approach, a distinction is made between: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (stage 1), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The entity makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The entity takes into consideration the historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Refer to Note 13 for a detailed analysis of how the impairment requirements are applied.

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

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

Revenue
Revenue represents the invoiced value of goods sold and services rendered, net of taxes. Revenue is recognised either at a point in time or over time, when the entity satisfies performance obligations by transferring the promised good or providing the promised services to its customers.

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

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

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

Cash and cash equivalents

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

3. Critical accounting estimates and judgements

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

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

4. Other operating income

	2020	2019
	€	€
Rental income from restaurants	42,188	63,250
Service charge receivable	5,500	5,500
	47,688	68,750

5. Operating (loss)/profit

		2020	2019
		€	€
Operating (loss)/profit is stated after charging:			
Staff costs	*Note*	217,461	175,831
Directors' remuneration	*Note*	90,000	120,000
Depreciation		180,241	183,970
Auditors' remuneration		4,800	4,800

Staff costs

	2020	2019
	€	€
Wages and salaries (including directors' remuneration)	289,431	281,377
Social security costs	18,030	14,454
	307,461	295,831
Government grant	(139,188)	-
	168,273	295,831

Government assistance

The Maltese Government announced a number of measures to financially support businesses where operations were significantly impacted by the Covid-19 pandemic. The company was eligible to benefit from the Covid Wage supplement under Annex A, receiving €800 on a monthly basis per full-time employee starting from 9 March 2020.

	2020	2019
Number of employees		
The average number of employees (including the directors) during the year was:		
Operations and administration	17	14

6. Finance costs

	2020	2019
	€	€
Interest on bank overdraft	5,115	5,158
Interest on bank loan	235	35,598
Interest on related party loans	103,953	67,458
Lease finance charges and hire purchase interest	1,300	1,483
Other interest	18,511	15,163
	129,114	124,860

7. Income tax

	2020	2019
	€	€
Malta Income Tax :		
Deferred	(81,476)	141,992

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

	2020	2019
	€	€
(Loss)/profit before taxation	(358,366)	305,422
Tax thereon at 35%	(125,428)	106,898
Tax effect of permanent differences	46,905	39,032
Maintenance allowance on rental income	(2,953)	(3,938)
Tax (credit)/charge for the year	(81,476)	141,992

8. Dividends

	2020	2019
	€	€
Dividends on equity shares:		
Ordinary shares - Total net dividend	407,980	334,000
Euro per share (net)	€0.097	€0.079

9. Investment property

	2020	2019
	€	€
At 1st January	5,974,491	3,811,400
Additions	30,000	2,163,091
Revaluation	-	-
At 31st December	6,004,491	5,974,491

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

Valuation of these assets has been reassessed after the reporting period following the spread of the Covid-19 pandemic and the resulting implication on the Company's operations.

10. Property, plant and equipment

	Land and buildings	Motor vehicles	Equipment	Electrical installation	Furniture and fittings	Computer equipment	Total
	€	€	€	€	€	€	€
Cost/revaluation							
At 1st January 2019	19,139,592	33,061	472,467	233,477	1,209,657	39,617	21,127,871
Additions	2,999,370	-	9,619	-	13,775	2,639	3,025,403
Disposals	(714,000)	-	-	-	-	-	(714,000)
At 31st December 2019	21,424,962	33,061	482,086	233,477	1,223,432	42,256	23,439,274
At 1st January 2020	21,424,961	33,061	482,086	233,477	1,223,432	42,257	23,439,274
Additions	287,150	-	1,779	-	-	2,206	291,135
At 31st December 2020	21,712,111	33,061	483,865	233,477	1,223,432	44,463	23,730,409
Depreciation							
At 1st January 2019	335,592	21,876	301,018	80,916	445,123	38,693	1,223,218
Charge for the year	57,737	5,932	34,552	22,406	58,418	1,517	180,562
At 31st December 2019	393,329	27,808	335,570	103,322	503,541	40,210	1,403,780
At 1st January 2020	393,329	27,808	335,570	103,322	503,541	40,210	1,403,780
Charge for the year	57,980	5,253	31,989	21,982	58,418	1,211	176,833
At 31st December 2020	451,309	33,061	367,559	125,304	561,959	41,421	1,580,613
Net book value							
At 31st December 2020	21,260,802	-	116,306	108,173	661,473	3,042	22,149,796
At 31st December 2019	21,031,632	5,253	146,516	130,155	719,891	2,047	22,035,494
At 31st December 2018	18,804,000	11,185	171,449	152,561	764,534	924	19,904,653

Fair value measurement of the Company's land and buildings

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's land and buildings as at 31st October 2018 were performed by an independent valuer not related to the Company.

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

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

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

	2020	2019
	€	€
Land and buildings	4,580,482	4,351,312

The directors have considered whether the effects of the Covid-19 pandemic, whether through a reduction in the prices of immovable property in general, and in the prices of hotel accommodation in particular arising from an expected slowdown in the tourism industry in the foreseeable future, could lead to an impairment in the value of the company's property, plant and equipment, particularly, its immovable property.

In considering whether an impairment of the company's immovable property has occurred, the directors took into consideration a valuation carried out by an independent architect in March 2021. This valuation considers the fact that the overall value of the company's immovable property has been enhanced by the purchase of property during 2019, which has now resulted in the company owning a set of properties, which when considering their future development potential together, give rise to a considerably higher market value. The directors therefore consider that any possible impairment on the value of immovable property due to the pandemic, is offset by the increase in the value of immovable property during 2019, and therefore, it is considered appropriate not to impair the company's immovable property.

11. Leases

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the Statement of Financial Position

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

	2020 €	2019 €
Right-of-use assets		
Lift	20,445	23,853
Lease liabilities		
Current	3,498	3,265
Non-current	17,353	20,883
	20,851	24,148

Additions to the right-of-use assets during the 2020 financial year were € - (2019 - € 27,261).

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

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

	2020 €	2019 €
Depreciation charge of right-of-use assets		
Lift	3,408	3,408
Interest expense (included in finance cost)	1,300	1,483

The total cash outflow for leases in 2020 was € 4597 (2019 - € 4597).

12. Other financial assets at amortised cost

		2020	2019
		€	€
Non-Current:			
Amounts due by commonly controlled entity	*Note*	631,997	1,082,482
Current:			
Amounts due by commonly controlled entity	*Note*	265,000	-
		896,997	1,082,482

Amounts due by commonly controlled entity

The amounts due by the commonly controlled entity is unsecured and interest free. This amount shall be repayable within 3 years in accordance with the signed repayment agreement in place.

Impairment for financial assets

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

13. Trade and other receivables

		2020	2019
		€	€
Trade receivables	*Note*	374	10,156
Other receivables		3,221	2,390
Unamortised bond issue costs		83,616	93,650
Financial assets		87,211	106,196
Prepayments		643	-
		87,854	106,196

Impairment for financial assets
Trade receivables
The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31st December 2020 was determined as follows:

		Trade recevables						
		Current	> 30 days	> 60 days	> 90 days	> 180 days	>365 days	Total
Expected credit loss rate	%	-	6.00	20.00	30.00	50.00	100.00	
Gross carrying amount	€	374	-	-	-	-	-	374
Lifetime expected credit loss	€	-	-	-	-	-	-	-

14. 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.

15. Called up issued share capital

	2020	2019
	€	€
Authorised		
4,215,875 Ordinary shares of €1 each	4,215,875	4,215,875
Called up issued and fully paid-up		
4,215,875 Ordinary shares of €1 each	4,215,875	4,215,875

16. Reserves

Capital contribution reserve

	2020	2019
	€	€
At 1st January	1,154,380	-
Additions during the year	-	1,221,838
Transfer against interest on loan from parent	(103,953)	(67,458)
At 31st December	1,050,427	1,154,380

Capital contribution reserves consist of a contribution, in the form of a long term, interest-free loan from the parent to the company. The amount of the contribution represents the difference, upon recognition of the borrowings by the company, between the fair value of the loan and the loan's nominal amount. This contribution from the parent is in excess of share capital, does not itself bear interest, and the parent does not have a right to oblige the company to return this contribution. The capital contribution reserve is non-distributable.

Revaluation reserve

	2020	2019
	€	€
At 1st January	14,799,920	14,799,920
At 31st December	14,799,920	14,799,920

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

Fair value gain reserve

	2020 €	2019 €
At 1st January	2,938,013	2,938,013
At 31st December	2,938,013	2,938,013

This reserve represents changes in fair value, net of deferred tax, on the investment properties held by the Company for long-term rental yields. Movement in fair values are presented in profit or loss as part of 'fair value gains on investment property'. Information about the valuation process of the investment property is disclosed in note 9 to these financial statements.

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

Share issue costs reserve

	2020 €	2019 €
At 1st January	(100,340)	-
Costs incurred on issue of shares	-	(100,340)
At 31st December	(100,340)	(100,340)

This reserve represents finance costs for the funds received in relation to the issue of 3,750,000 Ordinary shares with a nominal value of €1 per share 100% paid up in the Company.

17. Borrowings

		2020	2019
		€	€
Falling due within one year:			
Bank overdraft	*Note*	61,420	-
Bank loan	*Note*	102,753	-
Loan from parent	*Note*	344,899	334,000
Short-term borrowings		509,072	334,000
Falling due in between two and five years:			
Bank loan	*Note*	184,388	-
Falling due in five years or more:			
Loan from parent	*Note*	2,639,396	2,535,443
Long-term borrowings		2,823,784	2,535,443

Bank overdraft

At 31st December 2020 the company had a bank overdraft facility of €200,000. This facility is secured by a general hypothec over the company's assets, a special hypothec over the company's immovable property, a general hypothecary guarantee over directors' assets and by pledges over various insurance policies.

Bank loan

At 31st December 2020 the company had a bank loan facility of €589,000 (€301,859 unutilised at year end), repayable in monthly instalments of €25,987 after a moratoirum period of 12 months from first drawdown. This facility is secured by a general hypothec over the company's assets, a general hypothecary guarantee over directors' assets, a special hypothec over the company's immovable property, and by a guarantee provided by the Malta Development Bank (MDB).

Loan from parent

This loan is unsecured, interest-free and repayable upon demand. The purpose of this loan was to finance the Company's repayment of bank borrowings and expenditure in immovable property during 2019.

18. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2020 €	2019 €
Excess of capital allowances over depreciation	204,927	197,160
Unabsorbed tax losses and capital allowances	(118,043)	(32,351)
Effect due to tax treatment of bond costs	64,385	67,897
Effect due to tax treatment of finance leases	(142)	(103)
Effect due to revaluation of property, plant and equipment	1,880,400	1,880,400
Effect due to fair value movement of investment property	381,140	381,140
	2,412,667	2,494,143

Movements on the provision for deferred taxation are:

	2020 €	2019 €
At 1st January 2020	2,494,143	2,441,135
Recognised in profit or loss:		
Movement in the excess of capital allowances over depreciation	7,767	17,565
Movement in absorbed tax losses and capital allowances	(85,692)	(32,351)
Effect due to tax treatment of bond costs	(3,512)	67,897
Effect due to tax treatment of finance leases	(39)	(103)
Effect due to fair value movement of investment property	-	-
Effect of tax losses surrendered by group companies	-	88,984
Recognised in other comprehensive income:		
Charged by group companies:		
Recharge of tax losses surrendered by group companies	-	(88,984)
At 31st December 2020	2,412,667	2,494,143

Effect recognised in:		
Deferred tax movements recognised in profit or loss (Note 7)	(81,476)	141,992
Deferred tax movements recognised in equity	-	-
Charged by group companies	-	(88,984)
	81,476	53,008

19. Trade and other payables

		2020	2019
		€	€
Trade payables		9,753	27,750
Amounts owed to related parties	*Note*	71,555	88,984
Indirect taxes		45,556	66,809
Other payables		-	29,239
Accruals		52,132	127,924
		178,996	340,706

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

20. Current tax payable

	2020	2019
	€	€
The tax provision is made up of :		
Balance at beginning of year	226,100	399,426
Settlement tax paid	(53,170)	(173,326)
Balance at end of year	172,930	226,100

Tax repayment agreement
During the year the company entered into an agreement with the Office of the Commissioner for Revenue to repay this balance in monthly instalments of €9914. The company has also been granted a moratorium of 9 months on these repayments during 2021 due to the ongoing effects of the Covid-19 pandemic.

21. Contingent liabilities

The Company has various contingent liabilities, as listed hereunder.

The SP Finance Bond Trust

The Company as guarantor is securing the obligations of the ultimate parent company of the Group, SP Finance plc in favour of the Security Trustee for the benefit of the Bondholders, and further guarantees the obligations of the SP Finance plc as Issuer of the Bond by constituting a guarantee whereby the Company, jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Bondholders the payment of, and undertakes to pay the indebtedness to the Bondholders of any balance thereof at any time due or owing under the Secured Bonds. The Security Trustee holds as security immovably property owned by the Company. The first payment of bond interest, amounting to €480,000, that was due in May 2020 was paid on its due date. The Issuer is obliged to pay bond interest annually, for the next nine years, until the date of redemption of the bond in May 2029.

Pebbles Resort Limited

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

Sea Pebbles Leisure Limited

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

Med Asia Limited

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

Sea Pebbles Catering Limited

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

Third party creditor

The Company is standing as surety against the debt of a third party for the value of €655,000 (originally €1,050,000), secured by immovable property owned by the company. This debt is repayable by the third party in six equal annual instalments of €105,000 and an additional payment of €25,000. This debt is also personally guaranteed by the directors of the company.

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

22. 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 12, 13 and 14.

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

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

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

Liquidity risk

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

At 31st December 2020 and 31st December 2019, there were no contractual maturities on the financial liabilities of the entity. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Foreign currency risk

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

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

Interest rate risk

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

23. Related party transactions

During the course of the year the Company entered into transactions with related parties. These transactions have been carried out at arm's length. The related party transactions in question were:

	2020	2019
	€	€
Other operating income		
Commonly controlled entity		
Rental income	22,500	30,000
Other transactions		
Group companies		
Recharge of bond issue costs	107,879	107,879
Commonly controlled entity		
Purchase of immovable property	275,000	-
	405,379	137,879
Cost of sales		
Group company		
Administration charge	-	45,000
Administrative expenses		
Ultimate parent		
Administration charge	56,520	37,680
Finance costs		
Parent		
Interest on loan	103,953	67,458
Other transactions		
Ultimate parent		
Recharge of bond issue costs	-	8,013
Group company		
Recharge of tax losses surrendered	-	88,984
Dividends paid		
Parent		
Dividends paid	407,980	334,000
	568,453	581,135

24. Ultimate controlling party

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

25. Consolidated financial statements

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