C 26935

SUNSITES LIMITED

ANNUAL REPORT

For the year ended 31 December 2018

SUNSITES LIMITED

ANNUAL REPORT
For the year ended 31 December 2018

CONTENTS

SUNSITES LIMITED

COMPANY STATUTORY INFORMATION

Company Name:	Sunsites Limited
Company Registration No. :	C 26935
Registered Office:	The Pergola, Adenau Street, Mellieha Malta
Company Directors:	Mr John Grima Mr Alex Grima Mr Jonathan Grima Mr Daniel Grima
Company Shareholders:	Aspen Limited JAD Limited Mr John Grima Mr Joseph Grima
Company Secretary:	Mr John Grima
Company Auditors:	"Parker Randall Turner" 13, Curate Fenech Street Birzebbuga BBG 2032 Malta
Company Bankers:	Bank of Valletta plc Dr. Borg Olivier Street, Mellieha, MLH 1025 Malta HSBC Bank Malta plc 233, Republic Street, Valletta, VLT05 Malta

SUNSITES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company operates the Pergola Holiday Club & Hotel & Spa and the Solana Hotel & Spa, both located in Mellieha. The Company also operates the food and beverage sectors and the Company's trading activity remained unchanged from previous years.

PERFORMANCE REVIEW

Revenue from the Company's activities, during the year under review, increased by € 575,279 over the previous year. The gross profit margins generated remained quite in line with previous year. The operating profit before any provisions increased from € 1,195,459 in 2017 to € 1,263,048 in 2018. The company has undertaken substantial capital expenditure in view of the Solana Hotel & Spa refurbishments and consequently depreciation increased. Furthermore, there were impairment provisions done on related party balances which also contributed to reducing profit before tax from € 683,515 to € 421,911. The Company's future plans are to strive for sustainable sales and profitability growth.

DIVIDENDS

The directors do not recommend the payment of any dividends for the year ended 31 December 2018.

DIRECTORS

The following have served as directors during the year under review:

Mr John Grima
Mr Alex Grima
Mr Jonathan Grima
Mr Daniel Grima

In accordance with clause 6 (G) of the Articles of Association, Mr John Grima shall remain in office, whilst the other directors retire and being eligible, offer themselves for re-election.

COMPANY SECRETARY

Mr. John Grima has served as the sole company secretary during the year under review. In accordance with the company's Articles of Association, the company secretary remains in office.

Approved by the directors on 17 October 2019:

Mr. John Grima
Managing Director

Mr. Daniel Grima
Director

DIRECTORS' RESPONSIBILITIES

Company law 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 preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in the 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 year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

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 Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors 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.

SUNSITES LIMITED

INCOME STATEMENT
For the year ended 31 December 2018

	Notes	2018 €	2017 €
REVENUE	3	6,256,185	5,680,906
Direct operating costs		(3,334,832)	(2,939,630)
GROSS PROFIT		2,921,353	2,741,276
Other operating income		39,017	-
		2,960,370	2,741,276
Administrative expenses		(1,502,252)	(1,366,741)
PROFIT FOR THE YEAR BEFORE FINANCE CHARGES AND PROVISIONS		1,458,118	1,374,535
Finance charges		(195,070)	(179,076)
OPERATING PROFIT BEFORE PROVISIONS		1,263,048	1,195,459
Depreciation		(756,114)	(511,944)
Provision for impairment on related party balance		(85,023)	-
PROFIT FOR THE YEAR BEFORE TAXATION	4	421,911	683,515
Taxation	5	(171,496)	(230,686)
PROFIT FOR THE YEAR AFTER TAXATION		€ 250,415	€ 452,829

SUNSITES LIMITED

BALANCE SHEET
At 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
Non-current assets			
Investments	6	2	2
Property, plant and equipment	7	17,792,718	12,700,584
Amounts receivable from related parties	9	2,618,244	2,922,743
Trade and other receivables	9	339,008	516,889
		20,749,972	16,140,218
Current Assets			
Inventories	8	134,119	78,701
Advances to shareholders	9	674,841	647,577
Trade and other receivables	9	1,585,229	938,490
Cash at bank and in hand		74,573	34,988
		2,468,762	1,699,756
Total assets		€ 23,218,734	€ 17,839,974
EQUITY AND LIABILITIES			
Equity			
Share capital	10	1,501,356	1,501,356
Revaluation Reserve		4,660,259	5,402,897
Retained earnings		3,982,834	3,724,444
		10,144,449	10,628,697
Non-current Liabilities			
Long-term bank borrowings	11	4,260,666	2,014,480
Trade and other payables	14	2,473,718	1,618,684
Amounts due to related undertakings	14	98,541	23,774
Deferred ERDF Grant	13	187,993	-
		7,020,918	3,656,938
Provisions for liabilities and charges			
Deferred taxation	12	893,945	450,343
Current Liabilities			
Deferred ERDF Grant	13	28,017	-
Short-term bank borrowings	14	1,002,229	1,062,511
Trade and other payables	14	4,129,176	2,041,485
		5,159,422	3,103,996
Total equity and liabilities		€ 23,218,734	€ 17,839,974

The financial statements on pages 4 to 29 were approved by the Board of Directors 17 October 2019 and were signed on its behalf by:

Mr. John Grima
Managing Director

Mr. Daniel Grima
Director

SUNSITES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share Capital €	Retained Earnings €	Revaluation Reserve €	Total €
At 31 December 2016	1,501,356	3,255,205	5,419,307	10,175,868
FINANCIAL YEAR ENDED 31 DECEMBER 2017				
Profit for the year	-	528,893	-	528,893
Transfer from revaluation reserve to income statement	-	16,410	(16,410)	-
Prior year reinstatement (note 20)		(76,064)	-	(76,064)
As 31 December 2017	1,501,356	3,724,444	5,402,897	10,628,697
FINANCIAL YEAR ENDED 31 DECEMBER 2018				
Profit for the year	-	250,415	-	250,415
Transfer from revaluation reserve to income statement	-	7,975	(7,975)	-
Deferred taxation on property revaluation	-	-	(306,978)	(306,978)
Movement in revaluation	-	-	(427,685)	(427,685)
As 31 December 2018	€ 1,501,356	€ 3,982,834	€ 4,660,259	€ 10,614,389

SUNSITES LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	2018 €	2017 €
Cash generated from operating activities	15 (a)	2,510,084	1,391,146
Interest paid		(264,606)	(168,848)
Taxation paid		(7,030)	(11,003)
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,238,448	1,211,295
INVESTING ACTIVITIES			
Payments to acquire tangible assets	15 (b)	(4,804,186)	(1,128,876)
Proceeds from disposal of fixed assets		90,000	20,000
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(4,714,186)	(1,108,876)
FINANCING ACTIVITIES			
Repayments of bank loans		(308,674)	(357,359)
Bank loan advances		2,570,421	262,753
Advances from third parties		62,440	-
Repayments to related undertakings		-	(11,138)
Advances from related undertakings		294,243	(105,719)
Advances from shareholders		-	7,149
Repayments to shareholders		(27,264)	-
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES		2,591,166	(204,314)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		115,428	(101,895)
Cash and cash equivalents at beginning of year	15 (c)	(625,196)	(523,301)
Cash and cash equivalents at end of year	15 (c)	€ (509,768)	€ (625,196)

SUNSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. BASIS FOR PREPARATION

1.1 Statement of compliance

The financial statements of Sunsites Limited ("the Company") have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities), Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). The Company qualifies as a medium-sized entity, in terms of these regulations.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for land and buildings which are stated at their revalued amount, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. All property, plant and equipment is initially measured at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditure on repairs and maintenance of property, plant and equipment are charged to profit or loss during the financial period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Property, plant and equipment (continued)

Subsequent to initial recognition, land and buildings are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation based on periodic valuations by external independent valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses on buildings. Valuations are carried out on a regular basis, but at least every three years, unless the directors consider it appropriate to have an earlier revaluation, such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in the carrying amount arising on such revaluation are credited in other comprehensive income and accumulated in shareholders' equity as a revaluation reserve unless they reverse a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any deficiencies resulting from decreases in value are deducted from this revaluation reserve to the extent that the balance held in this reserve relating to a previous revaluation of that asset is sufficient to absorb these and charged to profit or loss thereafter.

Freehold land and assets in the course of construction are not depreciated. Leasehold properties are depreciated over the period of the lease. Other tangible assets are depreciated using the straight-line method in order to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

	%
Office/hotel complex furniture and fittings	6.67 – 10
Office equipment	25
Catering and other equipment	10 – 16.67
Linen and Soft Furnishings	10
Motor vehicles	20
Buildings	0.5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

2.3 Financial assets, financial liabilities and equity

A financial asset or a financial liability is recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets, financial liabilities and equity (continued)

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are stated at their nominal value unless the effect of discounting is material, in which case, trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence of impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'distribution costs'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'distribution costs' in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets, financial liabilities and equity (continued)

Investments

Derivative financial instruments

A derivative is a financial instrument which requires relatively minimal, if any, net investment; its value changes in response to the change in a specified financial or non-financial variable; and is settled at a future date. Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated and effective hedging instruments. During the current financial year, the Company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes. Derivative financial instruments are initially and subsequently measured at their fair value, with any changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables (the 'L&Rs') are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company classified as held for trading or designated on initial recognition as available for sale.

Subsequent to initial recognition, loans & receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process. When applying the effective interest rate method, the annual amortisation of any discount or premium is included with investment income over the term of the instrument, if any, so that the revenue recognised in each period represents a constant yield on the investment.

Trade and other payables

Trade and other payables comprise of obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets, financial liabilities and equity (continued)

Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method unless the effect of discounting is immaterial.

Share capital issued by the Company

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Preference share capital issued by the Company is classified as equity. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity upon approval by the Company's shareholders.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and are debited directly to equity.

2.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The stock of goods for resale comprises of goods purchased with the intention for re-sale. It excludes borrowing costs.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Whether a lease is a finance lease, or an operating lease depends on the substance of the transaction rather than the form of the contract. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Finance Leases

At the commencement of the lease term, assets held under finance lease, and the corresponding liabilities, are recognised in the balance sheet of the Company at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent to initial recognition, capitalised leased assets are tested for impairment in accordance with the Company's accounting policy on impairment and are fully depreciated in accordance with the Company's accounting policy on plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease obligation. Finance charges are recognised in profit or loss.

2.6 Impairment

The Company's property, plant and equipment and financial assets except for those classified as held-for-trading are tested for impairment.

Property, plant and equipment

The carrying amount of the Company's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment (continued)

Property, plant and equipment (continued)

The carrying amounts of the Company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in profit or loss.

Financial assets except for those classified as held-for-trading

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost or cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at face value. These comprise of cash in hand, demand deposits held at call with banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and short-term deposits are stated at nominal amounts, being the amounts recognised at inception.

Bank overdrafts and short-term bank loans are shown within borrowings in current liabilities in the balance sheet.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.9 Taxation

Income tax expense comprises of current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Taxation (continued)

Deferred income tax (continued)

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset / liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

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

Value Added Tax

Revenue, expenses and assets are recognised net of Value Added Tax, except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case Value Added tax is recognised as part of the acquisition of the asset or as part of the expense item, as applicable.

- Receivables and payables that are stated with the amount of Value Added Tax included.

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

2.10 Revenue recognition

Revenue is recognised as the invoiced value of services provided from hotel accommodation, food and beverage and related operations including subcontracted labour and management fees. Revenue is stated exclusive of taxes where applicable.

Revenue is measured at the fair value of the consideration received or receivable from hotel accommodation, food and beverage and related operations including subcontracted labour and management fees, being provided in the ordinary course of the Company's activities, net of Value Added Tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably and is shown net of value-added tax or other sales taxes, returns, rebates and discounts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Deferred grants

Financial assistance received by the company in respect of expenditure charged to the income and expenditure account during the year have been included in the income and expenditure account. Funds paid on behalf of the company in respect of capital expenditure are deferred and included in the income and expenditure by installments over the expected useful lives of the related assets.

2.12 Retirement benefit costs

The Company contributes towards the state pension fund in accordance with local legislation. The only obligation of the Company is to make the required contribution and carries no further legal or construction obligations to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. Costs are expensed in the year in which they are incurred.

2.13 Related parties

Related Undertakings

The term 'related undertakings' refers to companies having common shareholders or common ultimate shareholders.

Related Parties

Related parties are those persons or bodies of persons who have control or have significant influence over the operating and financial decisions of the company as defined under Section 20 – Related party disclosures of the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015.

3. REVENUE

Revenue is derived from the rendering of services and is analysed as follows:

	2018 €	2017 €
Revenue from hotel accommodation	4,083,520	3,577,245
Revenue from restaurants	1,943,658	1,727,459
Revenue from spas	75,396	78,814
Other ancillary products	153,611	297,388
	€ 6,256,185	€ 5,680,906

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

4. PROFIT FOR THE YEAR BEFORE TAXATION

	2018	2017
	€	€
(i) Profit for the year before taxation is stated after charging:		
Audit fee	6,500	4,500
Directors' emoluments	134,852	108,190
Depreciation	756,114	511,944

(ii) Total remuneration paid to the Company's auditors during the 2018 amounts to:

	€	€
Audit fees	6,500	4,500
Taxation services	710	610

(iii) Staff costs, including directors' remunerations incurred during the year under review are analysed as follows:

	€	€
Wages	1,364,789	1,602,260
Social security costs	117,872	116,842
	€ 1,482,661	€ 1,719,102

(iv) The average number of persons employed by the Company during year under review was as follows:

Administrative	13	13
Operational	65	84
Managerial	6	6
Average number of employees	84	103

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

5. TAXATION

	2018 €	2017 €
Current tax at 35%	34,872	260,425
Movement in deferred taxation	136,624	(105,803)
Prior year adjustment (note 20)	-	76,064
	€ 171,496	€ 230,686

The tax effect at the applicable tax rate on the accounting result and the tax charge for the year are reconciled as follows:

	2018 €	2017 €
Profit for the year before taxation	421,911	683,515
Tax at the applicable rate of 35 %	147,669	239,230
Tax effect on capital allowances transferred from related party	(21,331)	(21,331)
Tax effect on charge statement of sale of motor vehicle	(3,051)	1,290
Tax effect on disallowed expenses	58,015	11,497
Tax effect on exempt income	(9,806)	-
	€ 171,496	€ 230,686

6. INVESTMENTS

	2018	2017
TS Consultants Limited 1 Ordinary share of € 2.329373	€ 2	€ 2

7. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Furniture & Fittings	Plant and Equipment	Motor Vehicles	Assets Under Construction	Total
	€	€	€	€	€	€
COST/ VALUATION						
At 1 January 2018	10,806,106	2,798,857	4,579,834	231,955	264,352	18,681,104
Additions	2,491,552	1,617,652	2,097,379	148,350	-	6,354,933
Disposals	-	-	-	(120,000)	-	(120,000)
Reclassification	264,352	-	-	-	(264,352)	-
Movement in revaluation	(427,685)	-	-	-	-	(427,685)
At 31 December 2018	€ 13,134,325	€ 4,416,509	€ 6,677,213	€ 260,305	€ -	€ 24,488,352
DEPRECIATION						
At 1 January 2018	196,080	1,979,392	3,629,780	175,268	€ -	5,980,520
Charge for year	67,810	242,718	444,869	717	-	756,114
Released on disposal	-	-	-	(41,000)	-	(41,000)
At 31 December 2018	€ 263,890	€ 2,222,110	€ 4,074,649	€ 134,985	€ -	€ 6,695,634
NET BOOK VALUE						
At 31 December 2018	€ 12,870,435	€ 2,194,399	€ 2,602,564	€ 125,320	€ -	€ 17,792,718
At 31 December 2017	€ 10,610,026	€ 819,465	€ 950,054	€ 56,687	€ 264,352	€ 12,700,584

The Pergola Hotel was revalued on the basis of an open market valuation on 18 September 2019 by Mr. D.H. Camilleri, Eur. Ing, A&CE, DHI Periti. The total market value at the said valuation date of the property amounted to € 12,500,000. The portion of Pergola Hotel which is owned by Sunsites Limited amounted to € 11,875,000, with the remaining portion of the said valuation being owned by a related undertaking namely Connections Limited. The movement arising on revaluation has been transferred to a revaluation reserve account during 2018.

The cost of fully depreciated assets at year-end amounted to € 4,278,500, on which depreciation otherwise chargeable amounted to € 766,910.

8. INVENTORIES

	2018	2017
Stocks:		
Goods held for re-sale	€ 134,119	€ 78,701

9. TRADE AND OTHER RECEIVABLES

	2018 €	2017 €
Amounts falling due after more than one year:		
Amounts due from related undertakings (note a)	2,618,244	2,922,743
Amounts due from third parties (note b)	160,149	271,023
Other debtors	178,859	245,866
	€ 2,957,252	€ 3,439,632
Amounts falling due within one year:		
Advances to shareholders (note c)	674,841	647,577
Trade receivables	1,146,825	887,756
Guest ledger balance	51,839	-
Amounts due from third parties (note b)	48,434	-
ERDF Grant receivable (note d)	244,027	-
Payments made in advance	7,213	40,903
VAT recoverable	65,358	2,591
Bank guarantees	2,240	7,240
Prepayments	19,293	-
	€ 2,260,070	€ 1,586,067

Notes:

(a) Amounts receivable from related undertakings and advances to the shareholders are unsecured, interest free and have no fixed date of repayment.

(b) Amounts owed from third parties relate to letting of accommodation units. These receivables are interest-free and are disclosed net of provisions. This balance is being tested for impairment on a year by year basis, and impairment losses are reflected in the income statement on a yearly basis.

(c) Advances to the shareholders are unsecured, interest free and are repayable on demand. These balances will be assigned during 2019 through the redemption of non-cumulative preference shares as denoted under note 10 to the financial statements, after a transfer will take place; leaving a net difference of € 18,773 repayable on demand.

(d) During the year under review, the company has been approved financial assistance in respect of ERDF SME Growth Scheme which is Co-financed by the European Regional Development Fund (ERDF) (Council Regulation 1080/ 2006) and the Government of Malta to the amount of € 244,027 in supply of equipment and machinery. The grant represents 25% of the eligible capital expenditure under this Scheme.

10. SHARE CAPITAL

	2018 €	2017 €
Authorised		
439,614 ordinary shares of € 2.329373 each	1,024,025	1,024,025
281,650 Non-cumulative preference shares of € 2.329373 each	656,068	656,068
	€ 1,680,093	€ 1,680,093
Issued, allotted and fully paid up		
362,882 ordinary shares of € 2.329373 each	845,288	845,288
281,650 Non-cumulative preference shares of € 2.329373 each	656,068	656,068
	€ 1,501,356	€ 1,501,356

11. LONG-TERM BORROWINGS

	2018 €	2017 €
Within two and five years		
Bank Loan I (note i)	124,916	142,249
Bank Loan II (note ii)	133,408	149,379
Bank Loan III (note iii)	609,023	675,065
Bank Loan IV (note iv)	42,024	47,635
Bank Loan V (note v)	80,816	75,325
Bank Loan VI (note vi)	127,471	118,799
Bank Loan VII (note vii)	55,130	51,410
Bank Loan VIII (note viii)	-	63,760
Bank Loan IX (note ix)	278,983	205,296
	€ 1,451,771	€ 1,528,918

11. LONG TERM BANK BORROWINGS (continued)

	2018 €	2017 €
After more than five years		
Bank Loan I	-	19,569
Bank Loan II	-	22,828
Bank Loan III	-	108,739
Bank Loan IV	-	6,749
Bank Loan V	74,266	101,666
Bank Loan VI	119,294	162,572
Bank Loan VII	44,914	63,439
Bank Loan IX	2,570,421	-
	€ 2,808,895	€ 485,562
	€ 4,260,666	€ 2,014,480

Notes:

(i) Bank loan I bears interest at 4.4% per annum and is repayable by monthly instalments of € 5,700 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(ii) Bank Loan II bears interest at 4.4% per annum and is repayable by monthly instalments of € 6,000 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(iii) Bank Loan III bears interest at 4.4% per annum and is repayable by monthly instalments of € 27,150 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(iv) Bank Loan IV bears interest at 4.4% per annum and is repayable by monthly instalments of € 1,910 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(v) Bank loan V bears interest at 5.65% per annum and is repayable by monthly instalments of € 3,850 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

11. LONG-TERM BANK BORROWINGS (continued)

(vi) Bank loan VI bears interest at 5.65% per annum and is repayable in monthly instalments of € 6,090 inclusive of interest between May to November, with interest only being charged and settled between December to April. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(vii) Bank loan VII bears interest at 5.65% per annum and is repayable in monthly instalments of € 2,580 inclusive of interest between May to November, with interest only being charged and settled between December to April. This loan was taken to finance the development of Solana hotel. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(viii) Bank loan VIII bears interest at 5.15% per annum and is to be repaid by November 2019 by monthly instalments of € 10,000 inclusive of interest between May to November, with interest only being charged and settled between December to April. This loan was taken to finance capital expenditure for the reduction in energy costs. The bank loan is secured by a general hypothec on the company's assets and special hypothecs over immovable property.

(ix) Bank loan IX bears interest at 5.15% per annum and is to be repaid by monthly repayments ranging between € 16,000 to € 42,500 per month. This loan was taken to finance the extension and refurbishment of the Solana Hotel. The bank loan is secured by a first general hypothec over the assets of the Company, by a first special hypothec over immovable property and by a first general hypothecary guarantee given by one of the shareholders.

12. DEFERRED TAXATION

	2018	2017
	€	€
Upon revaluation of property	1,313,433	1,006,455
On accelerated capital allowances	(556,112)	(526,373)
Movement for the year	136,624	(105,803)
Prior year reinstatement (note 20)	-	76,064
	€ 893,945	€ 450,343

13. DEFERRED ERDF GRANTS

	€
Cost	
At 1 January and 31 December	€ 244,027
Amortisation	
Transferred to income statement during the year	€ 28,017
Net Book Value	
At 31 December	€ 216,010

During the year under review, the company has been approved financial assistance in respect of ERDF SME Growth Scheme which is Co-financed by the European Regional Development Fund (ERDF) (Council Regulation 1080/ 2006) and the Government of Malta to the amount of € 244,027 in supply of equipment and machinery.

The term of the Deferred ERDF Grant is classified as follows:

Amounts falling due within one year:	€ 28,017
Amounts falling due within two to five years:	€ 112,070
Amounts falling due after more than five years:	€ 75,923

14. TRADE AND OTHER PAYABLES

	2018	2017
	€	€
Amounts falling due between two to five years:		
Amounts due to related undertakings (note a)	98,541	23,774
Capital payables	769,682	109,333
Finance lease obligations (b)	280,481	97,223
Taxation (note c)	337,022	474,118
Other creditors	1,086,533	938,010
	€ 2,572,259	€ 1,642,458

14. TRADE AND OTHER PAYABLES (Continued)

	2018 €	2017 €
Amounts falling due within one year:		
Bank loans repayments due within twelve months (note d)	417,888	402,327
Bank overdraft (note e)	584,341	660,184
Capital creditors	940,522	130,391
Trade and other payables	1,786,436	1,208,490
Deposits received in advance	258,436	74,586
Finance lease obligations (b)	71,655	22,426
Taxation (note c)	308,725	143,787
Other creditors	222,192	113,367
Accruals and deferred income	541,210	348,438
	€ 5,131,405	€ 3,103,996

Notes:

(a) Amounts due to related undertakings

Amounts due to related undertakings are unsecured, interest-free and have no fixed date of repayment.

(b) Finance lease obligations

Finance lease obligations have arisen on the capital expenditure to the value of € 352,136, which are being financed through a finance lease arrangement entered into with a third party.

(c) Taxation	2018 €	2017 €
Balance at 1 January	617,905	368,483
Provision based on the taxable profit for the year	34,872	260,425
	652,777	628,908
Settlement tax paid	(7,030)	(11,003)
	645,747	617,905
Less:Current portion	(308,725)	(143,787)
	€ 337,022	€ 474,118

14. TRADE AND OTHER PAYABLES (Continued)

(d) Bank loan repayments due within twelve months

	2018 €	2017 €
Bank Loan I	33,424	31,848
Bank Loan II	35,102	33,445
Bank Loan III	158,606	151,143
Bank Loan IV	11,193	10,665
Bank Loan V	17,534	16,343
Bank Loan VI	27,657	25,775
Bank Loan VII	11,961	11,156
Bank Loan VIII	61,115	64,495
Bank Loan IX	61,296	57,457
	€ 417,888	€ 402,327

(e) Bank overdraft

The bank overdraft bears interest at 4.7% per annum and is secured by a general hypothec on the company's assets and by first and second special hypothecs over immovable property.

15. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2018 €	2017 €
Profit before taxation	421,911	683,515
Adjustment for:		
Depreciation	756,114	511,944
Interest payable	192,997	176,336
Released government grant	(28,017)	-
Provision for impairment	85,023	-
(Gain)/ loss on disposal of motor vehicles	(11,000)	6,400
Operating profit before working capital	1,417,028	1,378,195
(Increase)/ decrease in inventories	(55,418)	6,171
(Increase) in receivables	(287,271)	(135,787)
Increase in payables	1,435,745	142,567
Cash generated from operating activities	€ 2,510,084	€ 1,391,146

15. NOTES TO THE CASH FLOW STATEMENT

(b) Property, Plant and Equipment

During the year, the company acquired property, plant and equipment with a net aggregate cost of € 6,354,933 out of which € 1,470,480 represents movement on capital creditors at year end. These additions were financed through a bank loan which was taken for this purpose, through a finance lease arrangement and through company operations, as part of the re-financing programme for the sustainability of the Company. Moreover bank interest amounting to € 80,267 was capitalised during the year and included within plant and equipment.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2018 €	2017 €
Bank overdraft	(584,341)	(660,184)
Cash at bank and in hand	74,573	34,988
	€ (509,768)	€ (625,196)

16. RELATED PARTIES

(a) Transactions

	2018 €	2017 €
Sales to related undertakings	€ 7,268	€ 260,890
Expenses charged by related undertakings	€ 500,585	€ 372,335
Purchase of fixed assets from related party	€ 270,000	€ 129,935

(b) Balances

	2018	2017
Amounts receivable from related undertakings	€ 2,618,244	€ 2,922,743
Amounts due to related undertakings	€ 98,451	€ 23,774

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

17. CONTINGENT LIABILITIES

	2018	2017
Hypothecary guarantees given in the normal course of business to related undertakings	€ 787,276	€ 856,111

18. COMPARATIVE FIGURES

Comparative figures in the balance sheet under notes 9, 14 and 17 to the financial statements and in the income statement have been changed to comply with this year's presentation of balances.

19. CAPITAL COMMITMENTS

After year end, the company invested in additions to fixed assets amounting to € 364,902. These will be financed through company operations.

20. PRIOR-YEAR REINSTATEMENT

Deferred tax liability under note 12 to the financial statements was adjusted by a net increase of € 76,064 representing net differences arising from overstatement of accelerated capital allowances not taken in previous year. The corresponding adjustment of € 76,064 was reflected against opening retained earnings.

21. SUBSEQUENT EVENTS

After year end, the company will transfer the non-cumulative preference shares having a value of € 656,068 as denoted under note 10 to the financial statements. The proceeds arising will be assigned to the shareholders and offset against balances owed by them. A redemption reserve fund will be created to the equivalent amounts from retained earnings in 2019.

SUNSITES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

To the Shareholders of Sunsites Limited - Report on Audit of the Financial Statements.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Sunsites Limited from pages 4 to 29, which comprise the balance sheet as at 31 December 2018 and the income statement, cash flow and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Sunsites Limited as at 31 December 2018, and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME) and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 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 Statement section of our report. We are 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 our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information disclosed in the directors' report.

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.

Other Information (Continued)

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

In addition, in light of the knowledge and understanding of the company 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. We have nothing to report in this regard.

Responsibilities of the Directors

The directors responsible for the preparation of the financial statements that give a true and fair view in accordance with GAPSME, and for such internal control as the directors determine 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 the directors either intend to liquidate the Company or to cease operations, or has 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Company's internal control.

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

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

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.

SUNSITES LIMITED

INDEPENDENT AUDITORS' REPORT (Continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act, 1995 (Chap 386) enacted in Malta which permits compliance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME), for qualifying entities as prescribed in those regulations.

Arthur Douglas Turner – Partner
On behalf of Parker Randall Turner

"Parker Randall Turner"
13, Curate Fenech Street
Birzebbugia BBG 2032
Malta

17 October 2019

The Schedules and Appendices on the pages that follow do not form part of the financial statements

SUNSITES LIMITED

SCHEDULE I: DETAILED INCOME STATEMENT
For the year ended 31 December 2018

	Pages	2018 €	2017 €
REVENUE		6,256,185	5,680,906
Direct operating costs	36	(3,334,832)	(2,939,630)
GROSS PROFIT		2,921,353	2,741,276
Other operating income	36	39,017	-
		2,960,370	2,741,276
Administrative and other expenses	37	(2,343,389)	(1,878,685)
PROFIT FOR THE YEAR BEFORE FINANCE CHARGES		616,981	862,591
Finance charges	37	(195,070)	(179,076)
PROFIT FOR THE YEAR BEFORE TAXATION		€ 421,911	€ 683,515

SUNSITES LIMITED

SCHEDULE II: DIRECT COSTS AND OTHER OPERATING INCOME
For the year ended 31 December 2018

	2018	2017
	€	€
DIRECT OPERATING COSTS		
Food & Beverage costs	734,380	674,293
Third party accommodation & related costs	298,418	157,452
Laundry	108,325	94,788
Music and entertainment	16,791	27,623
Other direct related costs	130,435	69,566
Wages and salaries	1,061,302	1,234,968
Subcontracting costs	696,054	392,048
Water and electricity and fuel	289,127	288,892
- to page 35	€ 3,334,832	€ 2,939,630

	€	€
OTHER OPERATING INCOME		
ERDF government grant	28,017	-
Gain on disposal of motor vehicle	11,000	-
– to page 35	€ 39,017	€ -

SUNSITES LIMITED

SCHEDULE III: EXPENSES
For the year ended 31 December 2018

	2018	2017
	€	€
ADMINISTRATIVE EXPENSES		
Accountancy fees	3,500	2,500
Advertising and promotion	137,680	110,991
Auditors' remuneration	6,500	4,500
Cleaning	68,021	55,299
Consumables	34,361	26,248
Depreciation	756,114	511,944
Directors' remuneration	134,852	108,190
Donations	14,415	2,500
Fines and penalties	76,818	30,348
Lease and rent charges	153,163	136,951
Insurance	34,061	33,627
Legal fees	50,439	-
Licences and permits	25,657	25,808
Loss on disposal of motor vehicles	-	6,400
Management fees	1,400	1,400
Motor vehicle running expenses	18,585	12,399
Office expenses	28,956	22,901
Professional fees	32,449	2,654
Postage and stationery	36,269	20,529
Provision for impairment	85,023	-
Registration fee	1,200	1,200
Repairs and maintenance	141,571	227,429
Staff welfare and training	10,890	5,332
Staff uniforms	14,691	3,267
Subcontracting costs	168,805	135,706
Telecommunications	21,462	14,618
Wages and salaries	286,507	375,944
- to page 35	€ 2,343,389	€ 1,878,685

	2018	2017
FINANCE CHARGES		
On bank overdraft	3,147	11,129
On bank loans	143,953	117,880
Other interest	2,073	2,636
Bank charges	45,897	47,327
Realized loss on exchange	-	104
- to page 35	€ 195,070	€ 179,076