

G3 HOLDINGS LIMITED

**Annual Report and
Consolidated Financial Statements
31 December 2022**

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Directors' report

The directors present their report and the audited financial statements of G3 Holdings Limited (the "Company") and the Group of which it is the parent for the year ended 31 December 2022.

Principal activities

The company's principal activity is that of holding investments.

The group operates in the local market in the hospitality industry and its trading activity remained unchanged from the previous years. It operates two hotels: the Pergola Hotel & Spa and the Solana Hotel & Spa, both located in Mellieha. The group also operates in the food and beverage sectors.

On 1 January 2022, one of the group's subsidiaries, G3 Properties Limited merged into another subsidiary, G3 Hospitality Limited in terms of the Maltese Companies Act (Cap. 386), as part of a restructuring exercise undertaken by the Group. G3 Properties Limited ceased to exist on this date.

Review of business

Following the turbulent period experienced due to the global pandemic, the year ended 31 December 2022 saw a positive turn to a normality. The group registered an increase in demand for its services as a result of increased consumer confidence in the tourism industry. Management continued to avail itself of COVID-19 Government assistance measures, mainly the wage supplement up till May 2022.

Total revenue for the group during the year reached €10,783,275 resulting in a year-on-year increase of €3,915,458 (+57%). The increase in revenue reflected itself in earnings before interest, tax, depreciation and amortisation (EBITDA) resulting at €3,502,007 as against €2,583,125 registered for the prior year (+36%). These results raised the profit margin or return on turnover generated to 38% when compared to 33% in the prior year.

Consequently, the year 2022 resulted in a profit after tax of €1,617,122 when compared to €873,208 registered in 2021. The overall hotel occupancy increased to 86% compared to 56% in 2021. These are encouraging results considering that one of the hotels was closed for almost half of the year during the previous year.

The group's total assets amount to €42,110,189 against a comparative of €34,599,822 in 2021. The group's equity base also increased by €2,414,765 which is a direct result of the net profit registered during the year. As a result, the group's gearing ratio stands at 35% compared to 28% in 2021.

During the year, a group restructuring exercise was undertaken, whereby G3 Hospitality Limited became a subsidiary of G3 Holdings Limited. On 25 March 2022, G3 Finance p.l.c. (a fellow subsidiary of G3 Hospitality Limited) issued an aggregate of €12,500,000 in bonds having a face value of €100 per bond, subject to a minimum holding of €2,000 and in multiplier of €100 thereafter. The bonds have a coupon interest rate of 4.5% per annum as noted on the Malta Stock Exchange on 6 April 2022. G3 Holdings Limited (parent company of G3 Hospitality Limited) is the guarantor of their bonds.

Proceeds of the bond issue were advanced to one of the subsidiaries of G3 Group (G3 Hospitality Limited) for the purpose of re-financing existing bank facilities within the group and to finance future growth in operations.

Given the size of the group and its dependence on the global economy, the group recognises that the main risks and uncertainties to its business are the potential downturn in the global economy with particular reference to the tourism and services industries.

Directors' report - continued

Outlook for the financial year 2023

As was already anticipated, the results for the financial year 2022 were more or less within the same levels as the pre-COVID pandemic. Following the positive results registered during the year ended 31 December 2022, the directors look forward with enthusiasm for the coming year. With all COVID-19 restrictions completely removed, it is very clear that the accommodation and leisure industry is recovering at a faster pace.

On the other hand, the Ukraine-Russia conflict, raised concerns over the economy in general during 2022, impacting also the tourism industry. This war has caused disruption in economic activity and supply chain, leading to a rise in product prices. Management continues to keep a close watch on variable expenditure.

Management has prepared granular forecast profit and loss and cash flow projections for the period to 2032 using prudent assumptions. Management has factored in a number of stress case scenarios into the model and results for cashflow and profitability remain favourable.

Besides temporary financing obtained by the group from the Wage Supplement Scheme and financing through the Malta Development Bank COVID-19 Guarantee Scheme, the Group issued a bond of €12,500,000 during April 2022 (Note 15). Projections continue to forecast that the group will have adequate levels of liquidity and profitability to be able to operate and meet commitments as and when they fall due.

Based on the above, the directors look forward with optimism towards a positive turnaround during the coming challenging months and remain confident that these financial statements can continue being prepared on a going concern basis.

Moreover, it should be noted that in view of the measures undertaken by the Group, including the projections outlined above, the directors are of the opinion that the Group will have the necessary funds to finance the interest falling due in April 2023 and going forward.

Financial risk management

The group's and company's activities potentially expose it to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), foreign exchange risk, price risk, credit risk and liquidity risk. Refer to Note 3 in these financial statements.

Directors

The directors of the company who held office during the year were:

Alexander Grima
Daniel Grima
John Grima
Jonathan Grima

The company's Articles of Association do not require any directors to retire.

Directors' report – continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business as a going concern.


The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of G3 Holdings Limited for the year ended 31 December 2022 are included in the Annual Report and Consolidated Financial Statements 2022, which is published in hard-copy printed form and made available on the group's website. The directors of the entities constituting the G3 Group are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



John Grima
Director



Daniel Grima
Director

Registered office:
The Pergola
Adenau Street
Mellieha
Malta

27 April 2023



Independent auditor's report

To the Shareholders of G3 Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the “financial statements”) of G3 Holdings Limited give a true and fair view of the Group and the Parent Company’s financial position as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

G3 Holdings Limited’s financial statements, set out on pages 9 to 57, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2022;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



Independent auditor's report - continued

To the Shareholders of G3 Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report - continued

To the Shareholders of G3 Holdings Limited

Auditor's 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.

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 Group's and the Parent 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 Group's or the Parent 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 Group or the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Independent auditor's report - continued

To the Shareholders of G3 Holdings Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the Annual Report and Financial Statements 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 3)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">• 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 Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of G3 Holdings Limited

Report on other legal and regulatory requirements - continued

Area of the Annual Report and Financial Statements 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or 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 not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Stephen Mamo
Partner

27 April 2023

Statements of financial position

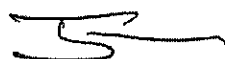
	Notes	Group			Company		
		At 31 December		At 1	At 31 December		At 1
		2022	2021 (as restated)	January 2021 (as restated)	2022	2021 (as restated)	January 2021 (as restated)
	€	€	€	€	€	€	
ASSETS							
Non-current assets							
Property, plant and equipment	5	36,698,513	31,828,372	32,381,776	-	-	-
Investment in subsidiaries	6	-	-	-	1,097,285	1,997	1,997
Investment in associate	7	-	-	1,164	-	-	-
Right-of-use assets	8	212,890	248,003	283,116	-	-	-
Trade and other receivables	10	1,185,606	206,587	840,950	-	-	-
Total non-current assets		38,097,009	32,282,962	33,507,006	1,097,285	1,997	1,997
Current assets							
Inventories	9	155,601	153,660	113,067	-	-	-
Trade and other receivables	10	849,569	1,898,541	650,885	1,128	1,200	1,200
Cash and cash equivalents	11	3,008,010	264,659	70,079	-	-	-
Total current assets		4,013,180	2,316,860	834,031	1,128	1,200	1,200
Total assets		42,110,189	34,599,822	34,341,037	1,098,413	3,197	3,197

Statements of financial position - continued

	Notes	Group			Company		
		At 31 December		At 1 January	At 31 December		At 1 January
		2022	2021 (as restated)	2021 (as restated)	2022	2021 (as restated)	2021 (as restated)
	€	€	€	€	€	€	
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	12	798,843	1,200	1,200	798,843	1,200	1,200
Revaluation reserve	13	12,073,967	12,073,967	12,073,967	-	-	-
Retained earnings/ (accumulated losses)		7,237,767	5,620,645	4,747,437	(14,024)	(4,050)	(1,850)
Total equity		20,110,577	17,695,812	16,822,604	784,819	(2,850)	(650)
Non-current liabilities							
Borrowings	15	13,376,457	6,073,704	5,164,763	-	-	-
Lease liabilities	18	-	35,188	109,067	-	-	-
Deferred tax liabilities	14	3,543,961	3,551,883	3,256,102	-	-	-
Institutional grants	16	63,775	90,022	116,269	-	-	-
Trade and other payables	17	1,785,766	842,716	1,822,648	-	-	-
Total non-current liabilities		18,769,959	10,593,513	10,468,849	-	-	-
Current liabilities							
Borrowings	15	435,065	1,036,328	1,547,805	-	-	-
Lease liabilities	18	28,687	73,879	88,666	-	-	-
Institutional grants	16	26,247	26,247	26,247	-	-	-
Trade and other payables	17	2,548,297	4,749,347	4,788,384	313,594	6,047	3,847
Current tax liability		191,357	424,696	598,482	-	-	-
Total current liabilities		3,229,653	6,310,497	7,049,584	313,594	6,047	3,847
Total liabilities		21,999,612	16,904,010	17,518,433	313,594	6,047	3,847
Total equity and liabilities		42,110,189	34,599,822	34,341,037	1,098,413	3,197	3,197

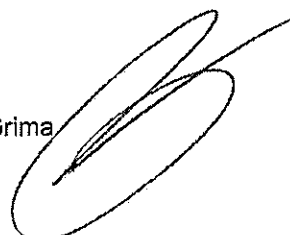
The notes on pages 15 to 57 are an integral part of these financial statements.

The financial statements on pages 9 to 57 were authorised for issue by the board on 27 April 2023 and were signed on its behalf by:



John Grima
Director

Daniel Grima
Director



Statements of comprehensive income

		Year ended 31 December				
		Group		Company		
		2022	2021	2022	2021	
		(as restated)		(as restated)		
Notes		€	€	€	€	
	Revenue	19	10,783,275	6,867,817	-	-
	Cost of sales	20	(6,724,258)	(4,603,477)	-	-
	Gross profit		4,059,017	2,264,340	-	-
	Administrative expenses	20	(1,622,125)	(937,914)	(9,974)	(2,200)
	Other operating (loss)/income		(43,288)	178,839	-	-
	Operating profit/(loss)		2,393,604	1,505,265	(9,974)	(2,200)
	Finance costs	22	(590,703)	(327,854)	-	-
	Profit/(loss) before tax		1,802,901	1,177,411	(9,974)	(2,200)
	Tax expense	23	(185,779)	(304,203)	-	-
	Profit/(loss) for the year		1,617,122	873,208	(9,974)	(2,200)

The notes on pages 15 to 57 are an integral part of these financial statements.

Statements of changes in equity

Group

	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2021 (as previously stated)	1,200	12,073,967	4,888,386	16,963,553
IFRS 9 adjustment	-	-	(140,949)	(140,949)
Balance at 1 January 2021 (as restated)	1,200	12,073,967	4,747,437	16,822,604
Comprehensive income				
Profit for the year	-	-	873,208	873,208
Total comprehensive income	-	-	873,208	873,208
Balance at 31 December 2021 (as restated)	1,200	12,073,967	5,620,645	17,695,812
Balance at 1 January 2022	1,200	12,073,967	5,620,645	17,695,812
Transactions with owners				
Capitalisation of shareholders loans	797,643	-	-	797,643
Total transactions with owners	797,643	-	-	797,643
Comprehensive income				
Profit for the year	-	-	1,617,122	1,617,122
Total comprehensive income	-	-	1,617,122	1,617,122
Balance at 31 December 2022	798,843	12,073,967	7,237,767	20,110,577

The notes on pages 15 to 57 are an integral part of these financial statements.

Statements of changes in equity

Company

	Share capital €	Accumulated losses €	Total €
Balance at 1 January 2021	1,200	(1,850)	(650)
Comprehensive expense			
Loss for the year	-	(2,200)	(2,200)
Total comprehensive expense	-	(2,200)	(2,200)
Balance at 31 December 2021	1,200	(4,050)	(2,850)
Balance at 1 January 2022	1,200	(4,050)	(2,850)
Transactions with owners			
Capitalisation of shareholders loans	797,643	-	797,643
Total transactions with owner	797,643	-	797,643
Comprehensive expense			
Loss for the year	-	(9,974)	(9,974)
Total comprehensive expense	-	(9,974)	(9,974)
Balance at 31 December 2022	798,843	(14,024)	784,819

The notes on pages 15 to 57 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
		2022	2021	2022	2021
		(as restated)		(as restated)	
Notes		€	€	€	€
Cash flows from operating activities					
	24	3,088,817	888,875	-	-
		(590,703)	(327,854)	-	-
		(427,046)	(181,042)	-	-
		2,071,068	379,979	-	-
Cash flows used in investing activities					
	5	(5,965,827)	(566,197)	-	-
		17,000	72,000	-	-
		(5,948,827)	(494,197)	-	-
Cash flows from financing activities					
		(5,523,477)	397,464	-	-
		(80,380)	(88,666)	-	-
		12,224,967	-	-	-
		6,621,110	308,798	-	-
		2,743,351	194,580	-	-
		264,659	70,079	-	-
	11	3,008,010	264,659	-	-

The notes on pages 15 to 57 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of G3 Holdings Limited and its subsidiaries and have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386).

The group and company adopted IFRSs during the year ended 31 December 2022, with a date of transition to IFRS of 1 January 2020. The prior year financial statements for the year ended 31 December 2021 were prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 (GAPSME). GAPSME differs in certain respects from IFRSs as adopted by the EU. When preparing G3 Holdings Limited's 2022 financial statements, management amended certain accounting and valuation methods applied in the GAPSME financial statements to comply with IFRSs as adopted by the EU. The comparative figures were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from GAPSME to IFRSs as adopted by the EU on the group and company's equity and their profit are given in Note 2.

During 2022, a restructuring process was undertaken, whereby G3 Hospitality Limited and G3 Finance p.l.c. became subsidiaries of G3 Holdings Limited. In order to provide more meaningful information, the consolidated results have been incorporated into the financial statements as if G3 Holdings Limited had always been the parent company.

Business combinations under common control

On 1 January 2022, G3 Properties Limited merged into G3 Hospitality Limited in terms of the Maltese Companies Act (Cap. 386), as part of a restructuring exercise undertaken by the Group. G3 Properties Limited ceased to exist on this date.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from its financial statements.

No goodwill arises in predecessor accounting and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity.

In order to provide more meaningful information, the acquired entity's results are incorporated into the financial statements of the company as if both entities had always been combined, with the result that the financial statements of the surviving company reflect both entities' full year's results even though the business combination may have occurred part way through the year.

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

Business combinations under common control - continued

These financial statements have been prepared under the historical cost convention as modified by the fair valuation of property, plant and equipment as disclosed in the accounting policies below.

The preparation of consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the group's and company's accounting policies (see Note 4 – Critical accounting estimates and judgements).

Appropriateness of the going concern assumption in the preparation of the financial statements

The Group has prepared projections for the coming years, based on historical financial information and forecasts, but factoring in the improved results of the past year. The Ukraine-Russia conflict is not expected to affect the results of the group as its exposure of business from these two countries is negligible. However, whilst the group has no direct business linkages with these countries, the directors are monitoring the effect that this conflict might have. Possible increases in the price of goods and services is the principal challenge that the group's entities will experience in the next financial year.

In this respect, besides temporary financing obtained by the group from the Wage Supplement Scheme and financing through the Malta Development Bank COVID-19 Guarantee Scheme, the Group issued a bond of €12,500,000 during April 2022. Projections continue to forecast that the group will have adequate levels of liquidity and profitability to be able to operate and meet commitments as and when they fall due.

Based on the above, the directors have assessed that the group is expected to have the necessary funds to finance its operations and commitments towards employees, creditors, banks and bondholders going forward. Accordingly, the board continues to adopt the going concern basis in preparing the financial statements and considers that there are no material uncertainties which may cast significant doubt about the ability of the company and the Group to continue operating as a going concern.

At 31 December 2022, the company's current liabilities exceeded current assets by €312,466. These financial statements have been prepared on a going concern basis which assumes the continued support of the company's shareholders to settle the company's obligations as and when they fall due and that related parties will not request amounts due to them unless alternative funds are made available to the company

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation of issue of these financial statements but are mandatory for the group's and company's accounting period beginning after 1 January 2022. The group and company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the group's directors are of the opinion that there are no requirements that will have a material impact on the group's and company's financial statements in the period of initial application.

1. Summary of significant accounting policies – continued

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

1. Summary of significant accounting policies – continued

1.2 Consolidation – continued

(a) Subsidiaries – continued

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of the investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

1.3 Foreign currency translation

(a) Functional and presentation currency

The group's and company's financial results and financial position are measured in the functional currency, i.e. euro ("€"), which is the currency of the primary economic environment in which the group and company operate. These financial statements are presented in euro ("€"), i.e. the presentation currency, which is the currency in which the parent company's share capital is denominated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Valuations are carried out on a regular basis such that the carrying amount of land and buildings does not differ materially from that which would be determined using fair values at the end of the reporting period. All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1. Summary of significant accounting policies – continued

1.4 Property, plant and equipment – continued

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 group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in revaluation reserve within shareholders' equity. Decreases that offset previous increases of the same asset are debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's property portfolio at periodic intervals. The fair values are based on market values, being the estimated amount or price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows that can be received from renting out the property. A yield that reflects the specific risk inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
Office/Hotel Furniture & Fittings	6.67 – 10
Office equipment	25
Catering and other equipment	10 – 16.67
Linen and Soft Furnishings	10
Motor vehicles	20
Buildings	2.22

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated. Depreciation will commence once the respective assets are commissioned for their intended use

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 (note 1.5).

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.5 Impairment of non-financial assets

Non-financial assets that are subject to amortisation are reviewed 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 the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Financial assets

1.6.1 Classification

The group and company classify their financial assets in the following measurement category:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI).

The group and company reclassify debt investments when and only when their business model for managing those assets changes.

1.6.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the group and company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.6.3 Measurement

At initial recognition, the group and company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of a financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.3 Measurement - continued

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The company subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

1.6.4 Impairment

The group and company assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group and company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (refer to note 3 for further details).

1. Summary of significant accounting policies - continued

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventories comprises the invoiced value of goods, and in general, includes transport and handling costs and is determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

1.8 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group and company hold the trade and other receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's and company's financial liabilities, other than derivative financial instruments, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities' under IFRS 9). Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. Financial liabilities at fair value through profit or loss would be initially recognised at fair value through profit or loss with transaction costs in profit or loss and would be subsequently measured at fair value. The group and company derecognise a financial liability from their statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

Trade payables comprise 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.

1. Summary of significant accounting policies - continued

1.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Issue costs incurred in connection with the issue of the bonds include professional fees, printing, listing, registration, underwriting, selling costs and other miscellaneous costs.

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.15 Current and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the taxation authority will accept an uncertain tax treatment. The company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on the fair valuation of property, plant and equipment is determined assuming the property will be recovered entirely through sale and is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation of the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax – continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 Provisions

Provisions for legal claims are recognised when the group and company have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is 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 passage of time is recognised as interest expense.

1.17 Revenue recognition

(a) Sales from hospitality and ancillary services

Revenue from hospitality and ancillary services includes accommodation as well as food and beverage services and other ancillary services. Hospitality and ancillary services are rendered to customers during their stays in hotels, and, depending on the booking, some services would generally be incorporated into one 'contract' (for example, bed and breakfast).

Each of the services rendered is considered to be a distinct performance obligation, and if applicable, the company allocates the transaction price to each of the services rendered to the customer on a relative basis, based on their stand-alone selling price. Revenue arising on hospitality activities is recognised over time when the service is performed since the customer consumes the benefits from such services as the group is performing.

The group also operates several rooms on a timeshare basis. In the case of timeshare, customers buy the right to a slot in a given time period, for which the customer must make an upfront payment. Subsequently, the customer must also make annual contributions to the scheme to cover the share of maintenance costs. The customers get the benefits (i.e. control over the promise) with every passing day of each year's stay at the vacation apartment/room. The revenue stream therefore meets the conditions for revenue recognition over time (i.e. stage of completion), and revenue is accordingly recognised on a daily basis of accommodation.

(b) Sales of goods – retail

Sales of goods are recognised at a point in time i.e. when the group has delivered products to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products. Retail sales are usually in cash or by credit card.

1. Summary of significant accounting policies - continued

1.17 Revenue recognition - continued

(c) Financing components

The group does not expect to have material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

1.18 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities present amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not yet transferred.

1.19 Leases

Where the group is the lessee

IFRS 16 requires an entity to assess whether a contract is, or contains, a lease at the inception date. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date, being the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group using residual value guarantees;
- the exercise price of purchase option if the group is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

1. Summary of significant accounting policies - continued

1.19 Leases – continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lessees, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset or similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusting to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, term and security.

Lease payments are allocated between principal and finance cost. The finance cost is computed so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance costs are recognised in profit or loss over the lease period.

Right-of-use assets are initially measure at 'cost' which, where applicable, comprise of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. When the group is reasonably certain to exercise a purchase option or the asset will be retained after the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life. Depreciation is recognised in profit or loss.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.20 Government grants

Grants from Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Grants related to income are presented as a deduction in reporting the related expense.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented under 'Other operating income'.

1. Summary of significant accounting policies - continued

1.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period that is required to complete and prepare the asset for its intended use.

Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accruals basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings.

1.22 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

2. Transition to IFRS

The group and company applied GAPSME until the financial year ended 31 December 2021. As from the financial year ended 31 December 2022, the Board of Directors elected to adopt the IFRS accounting framework. The directors believe that financial statements prepared in accordance with IFRS as adopted by the EU will reflect a clearer picture of the company's and group's operations and financial position moving forward.

(a) Reconciliation

The following reconciliation shows the effect on the group's and company's equity of the transition from GAPSME to IFRSs as adopted by the EU at 1 January 2021, and the group's and company's profit for the year ended 31 December 2021.

		31 December 2021	1 January 2021
	Note	€	€
Equity as reported under GAPSME		17,789,631	16,963,553
Adjustment for the impact of IFRS 9	b(i)	(93,819)	(140,949)
Equity as reported under IFRS as adopted by the EU		17,695,812	16,822,604

2. Transition to IFRS - continued

(a) Reconciliation – continued

	Note	2021 €
Results for the year under GAPSME		967,024
Adjustment for the impact of IFRS 9	b(i)	(93,819)
Results for the year under IFRSs as adopted by the EU		873,205

(b) Explanation of transition to IFRS

(i) Changes in the credit loss allowance assessment on trade and other receivables – IFRS 9

For the group's and company's trade and other receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate.

Under IFRSs as adopted by the EU, the company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The company's accounting policies on impairment of financial assets at amortised cost are disclosed in Note 1.5 to these financial statements.

The total impact on the group's and company's retained earnings as at 1 January 2021, arising as a result of the impairment requirements of the standard, are disclosed in the table above.

(ii) Adjustment for the impact of IFRS 16

Upon transitioning to IFRS, the group and company applied IFRS 16 retrospectively, as from the date of transition. The group leases furniture and fittings. Under GAPSME, these leases were classified as finance leases, since it was determined that the risks and rewards of ownership were transferred to the company; consequently, these were recognised on the statement of financial position. Likewise, under IFRS, all leases are recognised on-balance-sheet, subject to some exceptions.

Similar to a finance lease under GAPSME, IFRS 16 requires a lease liability to be carried at amortised cost, whilst a right-of-use asset is depreciated over its useful life. Accordingly, the company maintained the same concept of a depreciation charge (also recognised on a straight-line basis) and an interest expense, recognised using the discount rate used in measuring the company's lease liabilities. The right-of-use asset is depreciated over the useful life of the asset rather than the lease term in view that the assets will be retained by the company once the lease expires.

The only difference, as at the date of transition, is that the group recognised a right-of-use asset of €212,890 shown separately rather than as part of property, plant and equipment. No changes were reported for the lease liability of €28,687. There were no changes to the group's equity on transition date.

The new accounting policy is disclosed in Note 19.

3. Financial risk management

3.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks – market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. The group's overall risk management policy focuses on actively securing the company's short to medium term cash flows to minimise potential adverse effects on the group's financial performance.

The parent company's board of directors has overall responsibility for establishing and overseeing the principles for the overall group risk management framework, as well as policies to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The group undertakings did not make use of derivative financial instruments to hedge risk exposures.

(a) Market risk

I. Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The group's operating revenues, expenditure and financing are mainly denominated in euro. Accordingly, the group's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been effected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

II. Fair value interest rate risk

The group's cash flow interest rate risk principally arises from bonds and bank borrowings issued at fixed rates (note 15), which expose the group to fair value interest rate risk. Management monitors the impact of changes in market interest rates in respect of these liabilities. The group's borrowings are carried at amortised cost and accordingly, management considers that the group is not exposed to any potential impact on profit or loss arising from a defined interest rate shift that is reasonably possible at the reporting date

III. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost.

3. Financial risk management – continued

3.1 Financial risk factors – continued

(a) Market risk - continued

III. Credit risk – continued

The group's maximum exposure to credit risk is measured by reference to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	2022	2021
	€	(as restated) €
<i>Financial assets measured at amortised cost:</i>		
Trade and other receivables (Note 10)	1,596,981	541,560
Cash and cash equivalents (Note 11)	3,008,010	264,659
	4,604,991	806,219

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements.

Risk management

The group has a credit policy in place under which the creditworthiness of a new customer is assessed individually to ensure that sales of services are effected to customers with an appropriate credit history and credit limits are set based on the customer's financial position, past experience and other factors. The group monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, considering historical experience in collection of accounts receivable.

In view of the nature of the group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the group's trade receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to trade debts, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the group undertaking and are deemed by management to have excellent credit standing, usually taking cognisance of the performance history without defaults.

The group manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the reporting date with attract impairment assessment. The group's debtors, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

3. Financial risk management – continued

3.1 Financial risk factors – continued

III. Credit risk – continued

Impairment of financial asset

The company has three types of financial assets that are subject to the impairment model under IFRS 9:

- trade receivables;
- other financial assets at amortised cost; and
- cash and cash equivalents.

Cash and cash equivalents

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. The identified impairment loss subject to the impairment requirements of IFRS 9 on cash and cash equivalents is insignificant.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation and adjusts the historical loss rates based on expected changes in these factors.

3. Financial risk management – continued

3.1 Financial risk factors – continued

iii. Credit risk – continued

On that basis, the loss allowance for the group as at 31 December 2022 and 2021 was determined as follows:

	Up to 30 days past due €	31 to 60 days past due €	61 to 90 days past due €	91 to 120 days past due €	121 to 150 days past due €	+151 days past due €	Total €
31 December 2022							
Expected loss rate	3%	10%	14%	20%	30%	50% - 100%	
Gross carrying amount (€)	128,247	199,427	234,234	56,269	57,097	139,146	814,420
Loss allowance (€)	3,847	19,943	32,793	11,254	17,129	113,921	198,887
31 December 2021							
Expected loss rate	5%	10%	14%	21%	31%	50% - 100%	
Gross carrying amount (€)	113,226	143,985	181,026	65,177	39,762	50,959	594,135
Loss allowance (€)	5,661	14,399	25,344	13,687	12,326	44,634	116,051

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2022 €	2021 €
Trade receivables		
Balance at 1 January	116,051	155,841
Movement in loss allowance recognised in profit or loss during the year	82,836	(39,790)
Balance at 31 December	198,887	116,051

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the group and failure to make contractual payments of a period of greater than a year past due.

3. Financial risk management – continued

3.1 Financial risk factors – continued

III. Credit risk – continued

Amounts owed by related parties and other receivables

The group's and the company's receivables also include amounts owed by related parties forming part of the Group and other related parties. The group's treasury monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

The group's amounts owed by related undertakings and other receivables are subjected to the expected future credit loss framework required under IFRS 9 and the resulting expected credit loss allowance is considered immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the group and company will not be able to meet its future obligations associated with its financial liabilities, which comprise borrowings (note 15) and trade and other payables (note 17).

The company's approach to manage liquidity is to ensure, as far as practicable, that it will always have sufficient liquidity to meet its liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the company's cash and cash equivalents on the basis of expected cash flows in ensuring that no additional financing facilities are expected to be required over the coming year. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs. In this respect, management does not consider liquidity risk to the group as significant, considering the liquidity management process referred to above.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

3. **Financial risk management – continued**

(c) *Liquidity risk – continued*

	Carrying amount €	Contractual cash flows €	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €
At 31 December 2022						
Bond	12,224,967	18,125,000	562,500	562,500	1,687,500	15,312,500
Bank borrowings	1,586,555	1,689,250	470,750	470,750	747,750	-
Lease liabilities	28,687	30,014	30,014	-	-	-
Trade and other payables	4,334,063	4,334,063	1,785,766	2,548,297	-	-
	18,174,272	24,178,327	2,849,030	3,581,547	2,435,250	15,312,500
At 31 December 2021						
Bank borrowings	7,110,032	8,371,555	1,315,421	1,322,421	3,179,423	2,554,290
Lease liabilities	109,067	109,067	73,879	35,188	-	-
Trade and other payables	5,592,061	5,592,061	842,716	4,749,345	-	-
	12,811,160	14,072,683	2,232,016	6,106,954	3,179,423	2,554,290

As at 31 December 2022 the group entered into a number of promise of sale agreements for the purchase of property (expiring between 2022 and 2024) for a total value of €1,700,000 (2021: €5,015,000). The advance payments made by the group on such agreements made to date are disclosed in Note 10.

3.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may issue new shares or adjust the amount of dividends paid to shareholders.

The group also monitors the level of capital on the basis of the ration of aggregated net debt to total capital. Net debt is calculated as total borrowings, as shown in the statement of financial position, less cash at bank and in hand. Total capital is calculated as equity plus net debt. The aggregated figures are reflected in the following table:

3. Financial risk management – continued

3.2 Capital risk management – continued

	2022	2021 (as restated)
	€	€
Total borrowings	13,811,522	7,110,032
Less: cash at bank and in hand	(3,008,010)	(264,659)
	<hr/>	<hr/>
Net debt	10,803,512	6,845,373
Total equity – as shown in the statements of financial position	20,110,577	17,695,812
	<hr/>	<hr/>
Total capital	30,914,089	24,541,185
	<hr/>	<hr/>
Net debt/total capital	35%	28%

The company manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of G3 Holdings Limited, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period determined by reference to the financial statements is deemed adequate by the directors.

3.3 Fair values of financial instruments

Financial instruments not carried at fair value

At 31 December 2022 and 2021, the carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, reflected in the financial statements, are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount. The fair values of borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The fair value of the group's non-current payables and bank borrowings at floating interest rates and the fair value of the group's non-current receivables as at the reporting date is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 December 2022, comprising lease liabilities are reasonable estimates of their fair value as there have not been significant changes in the group's internal borrowing rate since the date of transition of IFRS 16.

4. Critical accounting estimates and judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The group's directors and management also make judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

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.

The fair value of property, plant and equipment is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in Note 5. This Note highlights information about the fair value estimation of land and buildings, together with a sensitivity analysis of the effects of shifts in unobservable inputs used in determining these fair values.

5. Property, plant and equipment

Group	Land and buildings €	Furniture & fittings €	Plant & equipment €	Motor vehicles €	Assets under construction €	Total €
At 1 January 2021						
Cost	28,768,633	5,009,654	7,368,920	200,217	58,798	41,406,222
Accumulated depreciation and impairment	(1,176,562)	(2,699,293)	(5,022,057)	(126,535)	-	(9,024,446)
Net book amount	27,592,071	2,310,361	2,346,864	73,682	58,798	32,381,776
Year ended 31 December 2021						
Opening net book amount	27,592,071	2,310,361	2,346,864	73,682	58,798	32,381,776
Additions	163,444	154,888	193,134	54,731	-	566,197
Commissioned assets	33,388	12,539	12,871	-	(58,798)	-
Disposals	-	-	-	(110,270)	-	(110,270)
Depreciation charge	(369,241)	(224,088)	(438,720)	(10,697)	-	(1,042,747)
Depreciation released on disposals	-	-	-	33,415	-	33,415
Closing net book amount	27,419,662	2,253,700	2,114,149	40,861	-	31,828,372
At 31 December 2021						
Cost	28,965,465	5,177,081	7,574,925	144,678	-	41,862,149
Accumulated depreciation and impairment	(1,545,803)	(2,923,381)	(5,460,776)	(103,817)	-	(10,033,777)
Net book amount	27,419,662	2,253,700	2,114,149	40,861	-	31,828,372
Year ended 31 December 2022						
Opening net book amount	27,419,662	2,253,700	2,114,149	40,861	-	31,828,372
Additions	5,516,058	155,254	214,315	80,200	-	5,965,827
Disposals	-	-	-	(34,872)	-	(34,872)
Depreciation charge	(372,389)	(230,903)	(450,631)	(19,365)	-	(1,073,288)
Depreciation released on disposals	-	-	-	12,472	-	12,472
Closing net book amount	32,563,331	2,178,051	1,877,833	79,296	-	36,698,513
At 31 December 2022						
Cost	34,481,523	5,332,335	7,789,240	190,006	-	47,793,104
Accumulated depreciation and impairment	(1,918,192)	(3,154,284)	(5,911,407)	(110,708)	-	(11,094,591)
Net book amount	32,563,331	2,178,051	1,877,833	79,298	-	36,698,513

5. Property, plant and equipment - continued

The group has assets pledged as security for the bond issued as at 31 December 2022. In, 2021, the group had assets of €31,800,081 pledged as security for bank loans as at 31 December 2021.

Fair valuation of property

The group's land and buildings, within property, plant and equipment were last revalued by an independent professionally qualified valuer on 11 September 2019. The book value of the property had been adjusted and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 13). The property was reassessed by an independent professionally qualified valuer in November 2021 in view of the possibility of exploring funding through financial markets. Such a reassessment did not result in a surplus to the property value.

As at 31 December 2021 and 2022, the directors have reassessed the property valuation taking into consideration how the COVID-19 pandemic developed and how this impacted the company's business activities. Accordingly, the 2022 valuation reassessment was based on updated projected income streams taking into consideration the experiences of 2020 and 2021, together with a gradual increase in the business activity in the next few years, until reaching a normalised level of business between 2023 and 2025.

The hospitality and leisure operations were one of the hardest hit sectors of the economy. However, at the date that these financial statements have been authorised for issue, the hotels have gradually picked up sustainable business activity. The projections have been updated in view of developments and for the financial year ending 2022 an EBITDA in the range of 93% and 100% of pre-COVID-19 levels was assumed and thereafter, the business activity was extended gradually until reaching pre-COVID-19 levels between and 2023 and 2025. The directors are of the opinion that the assumptions for the 2022 assessment did not result in any material impact on the company's property fair value and that the related carrying amount as at 31 December 2022 is not materially different from the respective fair value calculations.

Although the projected cash flows have been prepared in the prevailing economic uncertainties, the Board is of the opinion that the principal assumptions used reflect prudent scenarios as the company and the economy within which it operates move gradually back to a new normal.

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

5. Property, plant and equipment - continued

Fair valuation of property - continued

The group's revalued land and buildings, consist principally of the Pergola Hotel & Spa and the Solana Hotel & Spa, both being operational properties that are owned and managed by the group. The recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy. The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial year.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial year, is reflected in the table above. The movements reflect additions and depreciation for the year ended 31 December 2022.

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by third party qualified valuers. The group's policy is to revalue land and buildings at least every three to five years. These reports are based on both:

- information provided by the company which is derived from the company's financial systems and is subject to the entity's overall control environment; and
- assumptions and valuation models used by the valuer; with assumptions being typically market related and based on professional judgement and market observation.

The company's Board of directors review the valuation report and then consider it as part of their overall responsibilities. At the end of a reporting period, when an external valuation is not performed, the directors assess whether any significant changes or developments have been experienced in the hospitality and property market since the last external valuation. This analysis is usually supported by an assessment of the group's projected income streams.

5. Property, plant and equipment - continued

Valuation techniques

The external valuation of the Level 3 property as at November 2021 has been performed using the discounted cash flow approach. Similarly, the assessments performed by the directors as at 31 December 2022 and 31 December 2021 were also performed using the discounted cash flow approach, as discussed earlier. In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuation has been performed using unobservable inputs. The significant inputs to the approach used are generally those described below:

- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

EBITDA	based on projected income streams less operating expenditure necessary to operate the hotels, but prior to depreciation and financing charges.
Growth rate	based on management's estimated average growth of the respective company's EBITDA levels, mainly determined by projected growth in income streams.
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

Information about fair value measurements, relating to fair valuation made in preceding years, using significant unobservable inputs (Level 3):

Description by class based on highest and best use	Valuation technique	Significant unobservable input	Range of unobservable inputs
Current use as commercial premises (hotel operations)	DCF approach	EBITDA (aggregate for both hotels)	€3,902,000 in 2023 increasing gradually
		Growth rate	2% - 6%
		Discount rate	9.7%

5. Property, plant and equipment - continued

With respect to the DCF approach, an increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

At 31 December 2022 and 31 December 2021, the directors consider the current use of the properties to be equivalent to the highest and best use.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2022 €	2021 €
Cost	17,948,670	16,891,498
Accumulated depreciation	(1,918,192)	(1,545,803)
Net book amount	16,030,478	15,345,695

6. Investment in subsidiaries

Company

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
At 31 December			
Opening carrying amount	1,997	1,997	1,997
Additions	1,095,288	-	-
Closing carrying amount	1,097,285	1,997	1,997

The principal subsidiaries at 31 December, whose results and financial position are reflected in the figures of the group, are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2022 %	2021 %
G3 Hospitality Limited	The Pergola, Adenau Street, Mellieha, Malta	Ordinary shares	100	100
G3 Finance p.l.c.	The Pergola, Adenau Street, Mellieha, Malta	Ordinary shares	100	100

7. Investments in associate and jointly-controlled entities

Group

Investments in associate

	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)
	€	€	€
At 31 December			
Opening carrying amount	-	1,164	1,164
Write-off of investment on liquidation	-	(1,164)	-
Closing carrying amount	-	-	1,164

The associate at 31 December 2022 is shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2022 %	2021 %
T.S. Consultants Limited	The Pergola, Adenau Street, Mellieha, Malta	Ordinary shares	-	-

During the year ended 31 December 2021, the associate was put into liquidation. Consequently, the difference between the net disposal proceeds and the carrying amount was credited to the income statement.

Investments in jointly-controlled entities

	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)
	€	€	€
At 31 December			
Cost	58,350	58,350	58,350
Accumulated impairment	(58,350)	(58,350)	(58,350)
Opening and closing net book amount	-	-	-

7. Investments in associate and jointly-controlled entities – continued

The jointly-controlled-entities at 31 December 2022 is shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2022 %	2021 %
JX Limited	47, Triq l-Gherien, Mellieha, Malta	Ordinary shares	50	50
Comtrade Limited	The Pergola, Adenau Street, Mellieha, Malta	Ordinary shares	50	50

8. Right-of-use assets

The group leases furniture and fittings, which leases are deemed to be within the scope of IFRS 16 'Leases'. Lease contracts are typically for five years and at the end of the lease term the assets are retained by the company.

The statement of financial position reflects the following assets relating to leases:

	Total €
1 January 2021	
Impact of adoption of IFRS16	283,116
Amortisation charge	(35,113)
Closing net book amount	<u>248,003</u>
Year ended 31 December 2021	
Impact of adoption of IFRS16	283,116
Amortisation charge	(35,113)
Closing net book amount	<u>248,003</u>
Year ended 31 December 2022	
Opening net book amount	248,003
Amortisation charge	(35,113)
Closing net book amount	<u>212,890</u>

The income statement reflects the following amounts relating to leases:

	2022 €	2021 (as restated) €
Amortisation charge of right-of-use assets	35,113	35,113
Interest expense (included in finance costs) (note 22)	1,437	3,911

9. Inventories

Group	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)
	€	€	€
Finished goods and goods for resale	155,601	153,660	113,067

10. Trade and other receivables

	Group		As at 1 January	Company		As at 1 January
	As at 31 December			As at 31 December		
	2022	2021 (as restated)		2022	2021 (as restated)	
	€	€	€	€	€	€
Non-current						
Amounts due from related undertakings	968,993	58,387	-	-	-	-
Payment in advance	216,613	148,200	840,950	-	-	-
	1,185,606	206,587	840,950	-	-	-
Current						
Trade receivables – gross	814,420	594,135	470,205	-	-	-
Less: Credit loss allowance	(198,887)	(116,051)	(155,841)	-	-	-
Trade receivables – net	615,533	478,084	314,364	-	-	-
Amounts due from related undertakings	1,128	1,200	1,200	1,128	1,200	1,200
Other receivables	11,326	3,889	3,517	-	-	-
Payments in advance	77,062	1,235,929	206,421	-	-	-
Prepayments and accrued income	144,520	179,439	125,383	-	-	-
	849,569	1,898,541	650,885	1,128	1,200	1,200

Amounts due from shareholders are unsecured, interest-free and repayable on demand. Amounts due from related undertakings are unsecured, interest free and have no fixed date of repayment.

11. Cash and cash equivalents

Group

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)
	€	€	€
Cash at bank and in hand	3,008,010	264,659	70,079
Bank overdraft (note 15)	-	-	(610,822)
	3,008,010	264,659	(540,743)

During 2022 and 2021, the Company was required to prepare an impairment assessment under IFRS 9 for all classes of financial assets. The identified expected credit loss on cash and cash equivalents immaterial.

12. Share capital

	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)
	€	€	€
Authorised			
343,628 ordinary shares of Eur2.329373 each (2021 – 1,200 ordinary shares of Eur 1 each)	798,843	1,200	1,200
Issued and fully paid			
343,628 ordinary shares of Eur2.329373 each (2021 – 1,200 ordinary shares of Eur 1 each)	798,843	1,200	1,200

Increase in share capital

During 10 March 2022, the authorised and issued share capital of the company was increased from €1,200 to €798,843 following the capitalisation of shareholder loans.

13. Revaluation reserve

Group

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Year ended 31 December			
At beginning and end of the year	12,073,967	12,073,967	12,073,967

This revaluation reserve is non-distributable.

14. Deferred tax liabilities

Group

Deferred income taxes are calculated on temporary differences under the liability method and are 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 by the end of the reporting period. The principal tax rate used is 35% (2021: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% of the transfer value.

The movement on the deferred tax account is as follows:

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
At beginning of year	3,551,883	3,256,102	3,446,960
<i>Recognised directly in profit or loss</i>			
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment	53,907	298,350	(185,645)
Deferred income taxes on temporary differences arising on credit loss allowance of trade and other receivables	(61,829)	(2,569)	(5,213)
At end of year	3,543,961	3,551,883	3,256,102

14. Deferred tax liabilities - continued

The balance at 31 December represents:

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Temporary differences arising on:			
depreciation of property, plant and equipment	(161,291)	(215,198)	(513,547)
revaluation of property, plant and equipment	3,774,862	3,774,862	3,774,862
credit loss allowance trade and other receivables	(69,610)	(7,781)	(5,213)
	3,543,961	3,551,883	3,256,102

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

15. Borrowings

Group

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Non-current			
Bank loans	1,151,490	6,073,704	5,164,763
12,500,000 4.5% Bonds 2032	12,224,967	-	-
Total non-current	13,376,457	6,073,704	5,164,763
Current			
Bank loans	435,065	1,036,328	936,983
Bank overdraft (note 11)	-	-	610,822
Total current	435,065	1,036,328	1,547,805
Total borrowings	13,811,522	7,110,032	6,712,568

15. **Borrowings – continued**

Bonds

By virtue of an offering memorandum dated 25 March 2022, G3 Finance p.l.c. (the Issuer) issued an aggregate of €12,500,000 in bonds having a face value of €100 per bond, subject to minimum holding of €2,000 and in multiples of €100 thereafter. The bonds have a coupon interest rate of 4.50% per annum payable on a yearly basis on 6 April each year. The bonds are guaranteed by G3 Holdings Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. These bonds were admitted for listing on the Malta Stock Exchange on 6 April 2022. The quoted market price as at 31 December 2022 for the bonds was €100.50, which in the opinion of the directors fairly represents the fair value of these financial liabilities.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the issuer to undertakings forming part of the G3 Group for the purpose of re-financing existing bank facilities within the group and to finance future growth in operations.

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	As at 31 December	As at 1 January	
	2022	2021	2021
	(as restated)	(as restated)	(as restated)
	€	€	€
Original face value of bonds issued	12,500,000	-	-
Gross amount of bond issue costs	(296,827)	-	-
Accumulated amortisation	21,794	-	-
	(275,033)	-	-
Unamortised bond issue costs	(275,033)	-	-
Amortised cost and closing carrying amount of the bonds	12,224,967	-	-

Bank borrowings

The group's banking facilities as at 31 December 2022 amounted to €2,168,905 (2021: €8,052,559)

The group had secured moratoria over capital and interest payments until October 2021.

During 2020, the group successfully applied for a loan through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) which amounted to €2,000,000. This loan is subject to interest of 2.50%.

15. Borrowings – continued

Bank borrowings – continued

The interest rate exposure is as follows:

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Total borrowings:			
At floating rates	-	-	610,822
At fixed rates	1,586,555	7,110,032	6,101,746
Closing net book amount	<u>1,586,555</u>	<u>7,110,032</u>	<u>6,712,568</u>

During 2022, the group's bank loans, (with the exception of the MDB loan), were fully repaid by way of a loan agreement entered into with one of its subsidiary undertakings, G3 Finance p.l.c. whereby part of the proceeds from the issue of a secured bond were utilised for the entity to repay all its loans with the bank, as described by the prospectus.

16. Institutional grants

Group

	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Year ended 31 December			
Opening net book amount	116,269	142,516	187,993
Adjustment to the grant receivable in line with revised terms	-	-	(19,230)
Recognised in profit or loss	(26,247)	(26,247)	(26,247)
Closing net book amount	<u>90,022</u>	<u>116,269</u>	<u>142,516</u>
Disclosed as			
Current	26,247	26,247	26,247
Non-current	63,775	90,022	116,269
	<u>90,022</u>	<u>116,269</u>	<u>142,516</u>

During 2018, the group has been approved financial assistance in respect of ERDF SME Growth Scheme which is co-financed by the European Regional Development Fund (Council Regulation 1080/2006) and the Government of Malta to the amount of €244,027 in supply of equipment and machinery.

17. Trade and other payables

	Group			Company		
	As at 31 December		As at 1 January	As at 31 December		As at 1 January
	2022	2021 (as restated)	2021 (as restated)	2022	2021 (as restated)	2021 (as restated)
	€	€	€	€	€	€
Non-current						
Amounts due to related undertakings	1,059,268	489,424	956,368	-	-	-
Other payables	726,498	353,292	866,280	-	-	-
	1,785,766	842,716	1,822,648	-	-	-
Current						
Capital creditors	98,774	164,961	665,359	-	-	-
Trade payables	893,297	1,543,796	2,073,532	-	-	-
Amounts due to related undertakings	47,573	-	-	47,573	-	-
Amounts due to subsidiary	-	-	-	263,601	2,347	1,997
Other payables	374,880	1,616,848	1,086,266	295	-	-
Indirect taxation	75,186	376,703	29,269	-	-	-
Accruals	981,749	926,596	760,690	2,125	3,700	1,850
Contract liabilities	76,838	120,443	173,268	-	-	-
	2,548,297	4,749,347	4,788,384	313,594	6,047	3,847

Amounts due to related parties are unsecured, interest free and repayable on demand.

The company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 3.

Contract liabilities – recognised in revenue during 2022

Revenue recognised in the income statement during the financial year ended 31 December 2022 that was included in the balance of contract liabilities as at the end of the preceding financial year amounted to €120,443 (2021: €43,828). All movements in contract liabilities during the current and preceding financial years relate to business variations.

18. Lease liabilities

Group	As at 31 December		As at 1 January
	2022 €	2021 (as restated) €	2021 (as restated) €
Non-current	-	35,188	109,067
Current	28,687	73,879	88,666
Closing net book amount	28,687	109,067	197,733

These lease liabilities are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease agreement. The discount applied to the lease liabilities was 1.929% which is in line with the prior year.

The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 3.

19. Revenue

All the group's revenue was derived from the sale in the global market of hospitality together with the provision of other ancillary services.

Group	2022 €	2021 (as restated) €
<i>Sales of services recognised over time</i>		
Revenue from hotel accommodation	6,515,198	4,005,744
<i>Sales of goods and services recognised at a point in time</i>		
Revenue from restaurants	3,688,205	2,559,512
Revenue from spas	431,589	261,865
Other ancillary products	148,283	40,696
	4,268,077	2,682,073
Total revenue for the year	10,783,275	6,867,817

20. Expenses by nature

	Group		Company	
	2022	2021 (as restated)	2021	2021 (as restated)
	€	€	€	€
Employee benefit expense (note 21)	2,930,114	1,484,495	-	-
Depreciation of property, plant and equipment (note 5)	1,073,288	1,042,747	-	-
Amortisation of right-of-use assets (note 8)	35,113	35,113	-	-
Operating supplies and related expenses	2,235,299	1,539,796	-	-
Repairs and maintenance costs	199,625	181,116	-	-
Marketing, advertising costs and commissions	853,330	613,906	-	-
Utilities and similar charges	524,908	373,304	-	-
Movement in credit loss allowance of trade and other receivables	82,836	(39,790)	-	-
Other expenses	411,870	310,704	9,974	2,200
Total cost of sales, selling and administrative expenses	8,346,383	5,541,391	9,974	2,200

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2022 and 2021 relate to the following:

	Group		Company	
	2022	2021 (as restated)	2022	2021 (as restated)
	€	€	€	€
Annual statutory audit	38,900	34,575	1,900	1,785
Other advisory services	43,950	18,500	-	-
Tax advisory and compliance services	9,050	2,150	500	500
	91,900	55,225	2,400	2,285

Directors' remuneration

Group	2022	2021 (as restated)
	€	€
Directors' remuneration	294,191	242,486

21. Employee benefit expense

Group	2022 €	2021 (as restated) €
Wages and salaries	2,711,386	1,313,523
Social security costs	218,728	170,972
	2,930,114	1,484,495

The average number of persons employed by the group during the financial reporting year was:

Group	2022	2021 (as restated)
Administrative	12	12
Operational	111	120
Managerial	13	13
	136	145

Wages and salaries are presented net of wage supplements from the Government amounting to €478,499 (2021: €1,102,641) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expenses.

22. Finance costs

Group	2022 €	2021 (as restated) €
Bank loans and overdrafts	176,252	323,943
Interest on finance lease	1,437	3,911
Bond interest expense	413,014	-
	590,703	327,854

23. Tax expense

	Group		Company	
	2022	2021 (as restated)	2022	2021 (as restated)
	€	€	€	€
Current tax expense	193,701	8,421	-	-
Deferred tax (credit)/expense (note 14)	(7,922)	295,782	-	-
	185,779	304,203	-	-

23. Tax expense – continued

The tax on the results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2022	2021 (as restated)	2022	2021 (as restated)
	€	€	€	€
Profit/(loss) before tax	1,802,903	1,177,408	(9,974)	(2,200)
Tax on profit/(loss) at 35%	631,016	412,093	(3,491)	(770)
Tax effect of:				
Income taxed at source	(2,499)	16	-	-
Exempt income	(9,186)	(14,408)	-	-
Expenses not allowable for tax purposes	65,189	45,078	3,491	770
Unrecognised deferred tax	(45,740)	(14,522)	-	-
Under provision in prior year	1,874	-	-	-
Investment tax credits utilised during the year	(454,875)	(124,054)	-	-
Tax expense	185,779	304,203	-	-

As at year end the group had unrecognised deferred tax assets amounting to €1,264 (2021: 32,390) in relation to unutilised tax losses

24. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2022	2021 (as restated)	2022	2021 (as restated)
	€	€	€	€
Operating profit/(loss)	2,393,606	1,505,262	(9,974)	(2,200)
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	1,073,288	1,042,747	-	-
Amortisation of right-of-use assets (note 8)	35,113	35,113	-	-
Released government grant	(26,247)	(26,247)	-	-
Credit loss allowance of trade and other receivables	82,836	(39,790)	-	-
Loss on disposal of motor vehicles	5,400	4,854	-	-
Operating profit before working capital	3,563,996	2,521,939	(9,974)	(2,200)
Changes in working capital:				
Inventories	(1,941)	(40,593)	-	-
Trade and other receivables	(12,883)	(573,503)	72	-
Trade and other payables	(460,355)	(1,018,968)	9,902	2,200
Cash generated from operations	3,088,817	888,875	-	-

25. Commitments

Capital commitments

As at 31 December 2022 the group entered into a number of promise of sale agreements for the purchase of property (expiring between 2022 and 2024) for a total value of €1,700,000 (2021: €5,915,000). The advance payments made by the group on such agreements made to date are disclosed in Note 5.

26. Contingent liabilities

Group

	2022	2021 (as restated)
	€	€
Guarantees given on behalf of related company	-	5,136,770
Hypothecary guarantees given in the normal course of business to related undertakings	787,276	787,276
	787,276	5,924,046

The bond issued by one of the Group's subsidiaries is guaranteed by G3 Group which has bound itself jointly and severally liable with the Issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum.

27. Related party transactions

G3 Holdings Limited forms part of the G3 Group. All companies forming part of the G3 Group are related parties since these companies all have common ultimate controllers. Trading transactions between these companies typically include company interest charges, management fees and other such items which are normally encountered in a group context.

The following transactions were entered into with related parties during the financial reporting period:

	Group		Company	
	2022	2021	2022	2021
	(as restated)		(as restated)	
	€	€	€	€
Income:				
Administrative services charged to related undertakings	3,135	-	-	-
Purchases of goods:				
Purchase of fixed assets from related undertaking	615,000	-	-	-
Expenses charged by related undertakings	4,149	2,444	-	-
	619,149	2,444	-	-

27. Related party transactions – continued

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are set out below:

	Group		Company	
	2022	2021 (as restated)	2022	2021 (as restated)
	€	€	€	€
Receivables:				
Amounts due from related undertakings	1,052,721	59,587	1,128	1,200
Payables:				
Amounts due to related undertakings	1,106,841	489,424	45,573	-

The above balances are unsecured, interest free and have no fixed date of repayment.

28. Business combinations

On 1 January 2022, one of the group's subsidiaries, G3 Properties Limited merged into another subsidiary, G3 Hospitality Limited in terms of the Maltese Companies Act (Cap. 386), as part of a restructuring exercise undertaken by the Group. G3 Properties Limited ceased to exist on this date.

The following table summarises the restated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration at 1 January 2022	€ 1,398
Investment property	12,507,834
Trade and other receivables	667,799
Borrowings	(639,823)
Deferred tax liabilities	(2,378,249)
Trade and other payables	(2,583,435)
Current tax liabilities	(96,206)
Total identifiable net assets	7,477,920
Transferred to revaluation reserve	7,496,892
Transferred to equity	(20,370)

29. Statutory information

G3 Holdings Limited is a limited liability company and is incorporated in Malta. The registered office is 'The Pergola', Adenau Street, Mellieha, Malta.

30. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with IFRSs as adopted by the EU, and the requirements of the Maltese Companies Act (Cap. 386).