C 84431/15

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14 DEC 2022

HH OPERATING LIMITED

Reg. No.: C 84431

Annual report

For the year ended 31 December 2021

Director's report

For the year ended 31 December 2021

The director presents his report, together with the audited financial statements of HH Operating Limited, for the year ended 31 December 2021.

Principal activity

The company's principal activity consists of operating a number of catering establishments and a hotel which are all situated in Paceville. As from 1 May 2020, the operations of the catering establishments were transferred from a related company.

Review of business development and financial position

The financial position of the company as at 31 December 2021 is disclosed on page 7, while the results for the year under review are disclosed on page 8.

Events during the reporting year

Since early 2020, the world is experiencing an unprecedented crises caused by the COVID-19 pandemic. The Company considers the effects of the COVID-19 outbreak as the only relevant event arising during the reporting date. The uncertainty surrounding the duration of this situation is making the way towards recovery unclear.

HH Operating Limited's principal activity consists of operating a hotel and a number of catering establishments. The crisis has resulted in the partial temporary cessation in the company's activities. The overall impact of COVID-19 on the company is therefore expected have an adverse impact on the Company's financial resources and accordingly the director considers this existence of material uncertainty may cast significant doubt about the Company's ability to continue as a going concern.

Future developments

No changes are envisaged in company's operations during the forthcoming year.

Auditor

The auditors, CSA Audit Ltd, have intimated their willingness to continue in office. A resolution proposing their re-appointment will be put before the members at the next annual general meeting.

Financial reporting framework

The director has resolved to prepare the financial statements for the year ended 31 December 2021 in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME").

Director's report – continued

Statement of Director's responsibilities

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

In preparing the financial statements, the director is responsible for;

- Ensuring that the Financial statements have been drawn up in accordance with General Accounting Principles for Small and Medium-sized Entities Regulations, 2015;
- 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 company will continue in business as a going concern.

The director is also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). The director is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the director on 28 October 2022 and signed by:

Luke Chetcuti
Director

Registered office:
2, St. Georges Court A,
St. Augustine Street,
St. Julians,
Malta

CSA AUDIT

INDEPENDENT AUDITORS' REPORT
To the Shareholders of HH Operating Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- HH Operating Limited's financial statements (the "financial statements") give a true and fair view of the Company's financial position as at 31 December 2021, and of the Company's financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

HH Operating Limited's financial statements, set out on pages 7 to 23, comprise of:

- the statement of financial position as at 31 December 2021;
- the income statement for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities* for the *Audit of the Financial Statements* section of our report.

We 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

Emphasis of Matter – The impact of uncertainties due to the global Coronavirus pandemic on our audit

We draw attention to Note 1.1 to the financial statements which describes subsequent events related to the global COVID-19 pandemic declared by the World Health Organisation. Our opinion is not modified in respect of this matter.

CSA AUDIT

INDEPENDENT AUDITORS' REPORT
To the Shareholders of HH Operating Limited

Emphasis of matter - Material Uncertainty Relating to Going Concern

Without qualifying our opinion, we draw attention to Note 1.1 in the financial statements which indicates that the company's accumulated losses exceeded the paid-up share capital. This condition, along with other matters as set forth in Note 1.1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Responsibilities of the director for the financial statements

The director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations, and the requirements of the of the Maltese Companies Act (Cap.386) for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether to due to fraud or error.

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

Auditors' responsibility for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Auditors' responsibility for the audit of the financial statements

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 my auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.

- 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Report on other Legal and Regulatory Requirements

We also have responsibilities under the Maltese Companies Act (Cap.386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for the audit.

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

Other matter

The financial statements of HH Operating Limited for the year ended 31 December 2020, were audited by a predecessor auditing firm whose opinion, dated 20 December 2021, on those statements was not qualified.

CSA Audit Ltd
Level 6, Carolina Court,
Giuseppe Cali Street,
Ta'Xbiex XBX 1425
Malta

Charles Scerri
Director
For and on behalf of
CSA Audit Ltd

28 October 2022

Statement of financial position

	Notes	As at 31 December 2021 €	2020 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7,379,802**	7,401,265
Current assets			
Financial asset	5	**200,000**	-
Inventories	6	**218,138**	170,010
Trade and other receivables	7	**1,024,058**	689,039
Cash and cash equivalents	8	**473,073**	310,185
Total current assets		**1,915,269**	1,169,234
Total assets		**9,295,071**	8,570,499
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,200**	1,200
Accumulated losses		**(4,912,565)**	(3,330,635)
Total equity		**(4,911,365)**	(3,329,435)
Non-current liabilities			
Financial liabilities	9	**5,354,025**	3,903,506
Trade and other payables	10	**7,696,131**	7,084,920
Total non-current liabilities		**13,085,156**	10,988,426
Current liabilities			
Borrowings	11	**234**	1,072
Trade and other payables	10	**1,121,046**	910,436
Total current liabilities		**1,121,280**	911,508
Total liabilities		**14,206,436**	11,899,934
Total equity and liabilities		**9,295,071**	8,570,499

The notes on pages 11 to 23 are an integral part of these financial statements

The financial statements on pages 7 to 23 were authorised for issue by the director on 28 October 2022 and were signed by

Luke Chetcuti
Director

Income statement

	Notes	Year ended 31 December 2021 €	2020 €
Revenue		**8,051,230**	4,291,409
Cost of sales		**(7,153,054)**	(5,197,558)
Gross profit/(loss)		**898,176**	(906,149)
Administration expenses	12	**(3,165,721)**	(1,083,857)
Finance expense	13	**(400,609)**	(184,034)
Other income		**-**	21,000
Loss before tax		**(2,668,154)**	(2,153,040)
Tax credit/(charge)		**1,086,224**	(17,072)
Loss for the year		**(1,581,930)**	(2,170,112)

The notes on pages 11 to 23 form an integral part of these financial statements

Statement of changes in equity

	Issued share capital €	Accumulated losses €	Total €
As at 1 January 2021	1,200	(3,330,635)	(3,329,435)
Loss for the year	-	(1,581,930)	(1,581,930)
As at 31 December 2021	**1,200**	**(4,912,565)**	**(4,911,365)**
As at 1 January 2020	1,200	(1,160,523)	(1,159,323)
Loss for the year	-	(2,170,112)	(2,170,112)
As at 31 December 2020	1,200	(3,330,635)	(3,329,435)

Statement of cash flows

	Note	2021 €	2020 €
		As at 31 December	
Cash flows from operating activities			
Loss for the year before tax and interest		**(1,581,930)**	(2,153,040)
Add back			
Depreciation		**310,140**	277,638
Movements in working capital.			
Inventories		**(48,128)**	(159,172)
Trade and other receivables		**(31,953)**	1,697,249
Trade and other payables		**210,610**	(625,746)
Net cash used in operating activities		**(1,141,261)**	(963,071)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(288,677)**	(1,809,846)
Net cash used in investing activities		**(288,677)**	(1,809,846)
Cash flows from financing activities			
Amounts owed to related parties		**1,098,253**	2,871,451
Amounts owed by parent company		**495,409**	(168,621)
Bank borrowings		**(836)**	1,072
Net cash generated from investing activities		**1,592,826**	2,703,902
Movement in cash and cash equivalents		**162,888**	(69,015)
Cash and cash equivalents at the beginning of the year		**310,185**	379,200
Cash and cash equivalents at the end of the year	8	**473,073**	310,185

Notes to the financial statements

1 Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared and presented in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of these regulations ("GAPSME") and the requirements of the Maltese companies Act Cap 386

The preparation of financial statements in conformity with GAPSME requires the use of certain critical accounting estimates It also requires the director to exercise his judgement in the process of applying the company's accounting policies (Note 3 - Critical accounting estimates and judgements)

Going concern

As at 31 December 2021, the accumulated losses exceeded the paid-up share capital by €4,911,365 (2020 €3,329,435)

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in existence in the foreseeable future

The validity of this assumption depends on the company being able to generate sufficient cash flows to absorb its net liabilities This may also require the continued support of the company's shareholders in helping the company to meet its liabilities as they arise The director believes that the required support will be forthcoming from the company's shareholders

If the company were unable to continue in existence in the foreseeable future, adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities

Covid-19

Since early 2020, the world is experiencing an unprecedented crisis caused by the COVID-19 pandemic The Company considers the effects of the COVID-19 outbreak as the only relevant event arising during the reporting date Whilst this is a non-adjusting balance sheet event, the uncertainty surrounding the duration of this situation is making the way towards recovery unclear

The Company's principal activity is that of operating bars, restaurants or any other catering establishment The crises has not resulted in the temporary cessation in the Company's activities The overall impact of COVID-19 on the Company is therefore expected to be relatively contained in the context of the Company's financial resources and accordingly the director considers it to be appropriate to prepare these financial statements on a going concern basis

These financial statements have been prepared under the historical cost convention

1 Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in euro, which is the company's functional and presentation currency

(b) Transactions and balances

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

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment 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 flows (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period

1.4 Financial assets

1 4 1 Classification

The company classifies its financial assets in the loans and receivables category The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period These are classified as non-current assets

1 Summary of significant accounting policies - contınued

1.4 Financial assets - contınued

1.4.2 Recognıtıon and measurement

The company recognıses a financıal asset ın ıts statement of fınancıal posıtıon when ıt becomes a party to the contractual provisions of the ınstrument Regular way purchases and sales of fınancıal assets are recognısed on settlement date, whıch ıs the date on whıch an asset ıs delıvered to or by the company Any change ın faır value for the asset to be receıved ıs recognısed between the trade date and settlement date ın respect of assets which are carrıed at faır value ın accordance wıth the measurement rules applıcable to the respective fınancıal assets

Fınancıal assets are ınıtıally recognısed at fair value plus transactıon cost. Loans and receıvables are subsequently carried at amortısed cost usıng the effectıve ınterest method Amortısed cost ıs the ınıtıal measurement amount adjusted for the amortısatıon of any dıfference between the ınıtıal and maturıty amounts usıng the effective interest method

Fınancıal assets are derecognısed when the rıghts to receıve cash flows from the fınancıal assets have expıred or have been transferred and the company has transferred substantıally all rısks and rewards of ownershıp or has not retaıned control of the asset

1 4 3 Impaırment

The company assesses at the end of each reportıng perıod whether there ıs objectıve evıdence that a fınancıal asset or a group of fınancıal assets ıs ımpaıred A fınancıal asset or a group of financıal assets ıs ımpaıred and impairment losses are ıncurred only ıf there ıs objectıve evıdence of ımpaırment as a result of one or more events that occurred after the ınıtıal recognıtıon of the asset (a 'loss event') and that loss event (or events) has an ımpact on the estımated future cash flows of the fınancıal asset or group of fınancıal assets that can be relıably estımated

The company fırst assesses whether objectıve evıdence of ımpaırment exısts The crıterıa that the company uses to determıne that there ıs objectıve evıdence of an ımpaırment loss ınclude

sıgnıficant financial difficulty of the ıssuer or oblıgor,
a breach of contract, such as a default or delınquency ın ınterest or principal payments,
ıt becomes probable that the borrower will enter bankruptcy or other fınancıal reorganısatıon

For fınancıal assets carried at amortısed cost, the amount of the loss ıs measured as the dıfference between the asset's carryıng amount and the present value of estımated future cash flows (excludıng future credıt losses that have not been ıncurred) dıscounted at the fınancıal asset's orıgınal effectıve ınterest rate The asset's carrying amount ıs reduced and the amount of the loss ıs recognısed ın profıt or loss If, ın a subsequent perıod, the amount of the impairment loss decreases and the decrease can be related objectıvely to an event occurrıng after the ımpairment was recognised (such as an ımprovement ın the debtor's credıt ratıng), the reversal of the prevıously recognısed ımpaırment loss ıs recognısed ın profıt or loss.

1 Summary of significant accounting policies - continued

1.5 Property, plant, and equipment

All property, plant and equipment is initially recorded at cost All property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses, historical cost includes expenditure that directly attributable to the acquisition of the terms

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

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

	%
Building improvements	2
Plant & machinery	10
Catering equipment	16 67
Furniture & fittings	10
Electrical, plumbing & installations	6 67
Computer equipment	25
Aircondition & sound equipment	16 67
Lifts & escalators	10

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable 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

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour and a proportion of fixed and variable production overheads that are incurred in converting materials into finished goods, based on the normal level of activity Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution

1.7 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets If not, they are presented as non-current assets

1 Summary of significant accounting policies - continued

1.7 Trade and other receivables - continued

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1 4 3) The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss

1.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position

1.9 Share capital

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

1.10 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument The company's financial liabilities are recognised initially at fair value, including transaction costs These liabilities are subsequently measured at amortised cost The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires

1.11 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

1.12 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

1.13 Income taxes

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

1 Summary of significant accounting policies - continued

1.13 Income taxes - continued

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

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

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit The Company recognises a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised The Company re-assesses any unrecognised deferred tax asset at each balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered

1.14 Fair value measurement

As at 31 December 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period time between the origination of the instruments and their expected realisation

1.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities Revenue is recognised upon performance of services, and is stated net of sales tax, returns, rebates and discounts

The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, the inflow of economic benefits associated with the transaction is probable Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts and volume rebates allowed by the entity

1 Summary of significant accounting policies - continued

1.15 Revenue recognition - continued

Rendering of services

Revenue is recognised when the outcome of the transaction can be estimated reliably Revenue from such activity is recognised when the services are rendered

2 Financial risk management

As at 31 December 2021, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

The Company's activities expose it to market risk, credit risk and liquidity risk through its use of financial instruments which result from its operating activities The Company's risk management is coordinated by the management team and focuses on actively securing the Company's short to medium term cash flow by minimising exposure to financial risks

The exposure to risk and the way risks arises, together with the Company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development

2.1 Financial risk factors

(a) Interest rate risk

The Company has no significant interest-bearing assets other than cash and cash equivalents, issued at variable rates Cash and cash equivalents issued at variable rates expose the Company to cash flow interest rate risk Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial

(b) Credit risk

The Company has no significant concentration of credit risk Amounts in the statement of financial position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments. The necessary provisions and impairments are provided for and reviewed on an ongoing basis.

	2021	2020
	€	€
Trade and other receivables	**1,024,058**	689,039
Cash and cash equivalents	**473,073**	310,185
	1,497,131	999,224

2 Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables (Note 10) Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year

The company's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from intra-group financing that it can access to meet liquidity needs In this respect management process does not consider liquidity risk to the company as significant taking into account the liquidity management process referred to above

Furthermore, the support from related parties and the shareholder, the director is confident that the company is in a position to meet commitments as and when they fall due

The amounts disclosed in the table below are the contractual undiscounted cash flows

	2021	2020
	€	€
Borrowings	234	1,072
Trade and other payables	1,121,046	910,436
	1,121,280	911,508

(d) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital

The Company's capital structure is monitored by the Company with appropriate reference to its financial obligations and commitments arising from operational requirements

(e) Market risk

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 A portion of the company's purchases are denominated in Euro Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms Also, foreign exchange risk attributed to future transactions is not deemed to be material since the company undertaking manages the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices

2 Financial risk management - continued

2.1 Financial risk factors - continued

(e) Market risk - continued

The company's other expenditure is mainly denominated in Euro except as outlined above Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in Euro to be significant Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the balance sheet date is not deemed necessary

3 Critical accounting estimates and judgements

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

In the opinion of the director, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1

4 Property, plant and equipment

	Building improvements	Plant & machinery	Catering equipment	Furniture & fittings	Electrical, plumbing & installations	Computer equipment	Aircondition & sound equipment	Lifts & escalators	Total
Cost	€	€	€	€	€	€	€	€	€
As at 1 January 2021	6,172,255	73,189	209,553	935,721	141,671	88,367	241,234	36,119	7,898,109
Additions	69,635	43,434	38,812	63,394	20,554	45,367	7,481	-	288,677
As at 31 December 2021	6,241,890	116,623	248,365	999,115	162,225	133,734	248,715	36,119	8,186,786
Depreciation									
As at 1 January 2021	100,874	13,366	68,434	184,236	12,705	37,656	72,549	7,024	496,844
Charge for the year	67,860	11,661	41,395	99,911	10,815	33,433	41,453	3,612	310,140
As at 31 December 2021	168,734	25,027	109,829	284,147	23,520	71,089	114,002	10,636	806,984
Net book value as at 31 December 2021	**6,073,156**	**91,596**	**138,536**	**714,968**	**138,705**	**62,645**	**134,713**	**25,483**	**7,379,802**
Net book value as at 31 December 2020	6,071,381	59,823	141,119	751,485	128,966	50,711	168,685	29,095	7,401,265

5 Financial asset

	2021	2020
	€	€
Loan owed by related party	**200,000**	-

Loan owed by related party is unsecured, interest free and is repayable on demand

6 Inventories

Inventories consist of food and beverages including wines and spirits

7 Trade and other receivables

	2021	2020
	€	€
Trade receivables	**260,867**	114,481
Amounts due by related parties	**62,082**	22,292
Amounts due by director	**544,747**	281,471
Other receivables	**16,182**	48,648
Indirect taxation	**-**	78,707
Prepayments	**55,573**	36,503
Accrued income	**84,607**	106,937
	1,024,058	689,039

Amounts owed by related parties and director are unsecured, interest free and are repayable on demand

8 Cash and cash equivalents

	2021	2020
	€	€
Loan owed by related party	**473,073**	310,185

9 Financial liabilities

	2021	2020
	€	€
Related party loans	**5,354,025**	3,903,506

The related party loans consist of a credit facility and loan facility The credit facility is unsecured, bears an interest rate of 5% per annum and is repayable on 18 May 2023 The loan facility is unsecured, bears an interest rate of 5% per annum and is repayable on 19 May 2023

10 Trade and other payables

	2021	2020
	€	€
Non-current		
Amount due to shareholder	**1,637,345**	1,141,936
Amount due to related parties	**6,093,786**	5,942,984
	7,731,131	7,084,920
Current		
Trade payables	**367,427**	296,056
Other payables	**210,658**	249,693
Indirect taxation	**413,464**	129,099
Accruals	**129,497**	235,588
	1,121,046	910,436

Amount due to shareholder and related parties is unsecured, interest free and has no fixed date of repayment

11 Borrowings

	2021	2020
	€	€
Bank overdraft	**234**	1,072

The bank overdraft is secured by

a Hypothecs over the company's assets

b Guarantees provided by the company's shareholders

The effective interest rate for bank borrowings as at the end of the financial reporting year is as follows

	2021	2020
Bank overdraft	**7.70%**	7 70%

12 Expenses by nature

	2021	2020
	€	€
Depreciation	**310,140**	277,638

Auditors' remuneration for the year amounted to €3,000 (2020 €3,000)

13 Finance charges

	2021	2020
	€	€
Bank charges	**130,793**	29,512
Bank interest	**49,543**	-
Loan interest	**220,273**	154,522
	400,609	184,034

14 Related Party Transactions

The following transactions were carried out with related parties:

	2021	2020
	€	€
Transactions with other related parties		
Revenue charged to related parties	**315,222**	38,361
Other income charged to related parties	**36,964**	34,537
	352,186	72,898

Year-end balances with related parties are disclosed in Notes 7 and 10 to these financial statements Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes

15 Statutory information

HH Operating Limited is registered in Malta as a limited liability company under the Maltese Companies Act (Cap 386). The registered office is 2, St Georges Court A, St Augustine street, St Julians, Malta