Registration number C 62625

CARMELO STIVALA GROUP LIMITED

Report and consolidated financial statements
For the year ended 31 December 2017

Carmelo Stivala Group Limited

Contents

Directors' report
for the year ended 31 December 2017

Directors	Mr Carlo Stivala (appointed on 6 September 2017) Mr Ivan Stivala (appointed on 6 September 2017) Mr Martin John Stivala (appointed on 6 September 2017) Mr Michael Stivala (appointed on 6 September 2017) Mr Carmelo Stivala (resigned on 6 September 2017)
Registered Address	143 The Strand Gzira GZR 1026 Malta

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

Principal activities

The company is engaged in dealing in immovable property. One of the subsidiary companies is engaged in the renting and operating of hotels and hostels from the parent company whereas another subsidiary is engaged in the renting of residential and commercial properties to third parties.

Business review

During the year under review, the group's revenue increased by €12,201,428 over the previous year. The increase was derived from the main business segments, being renting of property and hospitality of the subsidiaries included in the group during the year. The group registered an operating profit of €3,847,235 during the year which was mainly due to the revenue generated from hospitality and renting of property, which in aggregate amounted to €12,312,979. The group's profit before taxation for the year amounted to €68,978,917 (2016: €10,489,198). During the year, the group revalued its property upwards by around €77 million, net of tax.

The company's revenue decreased when compared to prior year mainly due to the decrease in rental income charged to its related parties. The company's profit for the year amounted to €100,139,615 (2016: €184,461). This was mainly due to the merger of two related companies into the company, which took place during the year, and to the revaluation of the investment property held by the company. The directors expect that the group's and the company's activities and operating performance will be sustained for the foreseeable future.

Dividends and reserves

The directors do not recommend payment of an ordinary dividend and propose to transfer the profit for the year to reserves.

Events after the reporting period

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

Directors

In accordance with the company's Articles of Association, the present directors remain in office.

Directors' responsibilities

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

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

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

Auditors

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

This report was approved and authorised for issue by the Board of Directors on 11 April 2018, and signed on its behalf by:

Mr Michael Stivala **Director**	**Mr Carlo Stivala** **Director**

Independent auditors' report
to the members of Carmelo Stivala Group Limited

Opinion

We have audited the accompanying consolidated financial statements, which comprise the statements of financial position of the group and the company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the group and the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Carmelo Stivala Group Limited as of 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Cap. 386).

Basis for Opinion

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

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

Other information

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

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

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

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

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 11 April 2018

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€**	€	**€**	€
Revenue	**4**	**12,386,428**	185,000	**2,829**	185,000
Cost of sales		**(3,238,120)**	-	**-**	-
Administrative expenses		**(867,759)**	(63,262)	**(2,501,049)**	(63,262)
Staff costs	**5**	**(1,528,677)**	-	**-**	-
Depreciation and amortisation		**(2,904,637)**	(644,826)	**-**	(604,831)
Waiver of related party balance		**-**	10,190,290	**-**	-
Operating profit/(loss)		**3,847,235**	9,667,202	**(2,498,220)**	(483,093)
Investment income	**6**	**8,896,820**	822,218	**25,351,473**	822,218
Interest receivable and similar income	**7**	**3,221**	-	**794,337**	-
Finance costs	**8**	**(713,024)**	(222)	**(639,912)**	(222)
Movement in revaluation of investment property		**56,944,665**	-	**91,519,470**	-
Profit before taxation	**9**	**68,978,917**	10,489,198	**114,527,148**	338,903
Taxation	**10**	**(9,035,041)**	(154,442)	**(14,387,533)**	(154,442)
Profit for the year		**59,943,876**	10,334,756	**100,139,615**	184,461
Other comprehensive income, net of taxation					
Movement in revaluation of property, plant and equipment		**34,574,805**	-	**-**	-
Taxation		**(5,490,120)**			
		29,084,685	-	**-**	-
Total comprehensive income		**89,028,561**	10,334,756	**100,139,615**	184,461

The notes on pages 12 to 37 form an integral part of these financial statements.

Carmelo Stivala Group Limited

Statements of financial position
at 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
ASSETS AND LIABILITIES	**Notes**	**€**	€	**€**	€
Non-current assets					
Intangible assets	**11**	**35,839**	-	**-**	-
Property, plant and equipment	**12**	**62,840,672**	15,949,859	**-**	3,799,800
Investment property	**13**	**106,034,846**	18,983,444	**155,414,848**	20,983,208
Investments in subsidiaries	**14**	**-**	-	**504,720**	2,400
Investments in associates	**14**	**840**	840	**840**	840
		168,912,197	34,934,143	**155,920,408**	24,786,248
Current assets					
Inventories	**15**	**15,909**	-	**-**	-
Trade and other receivables	**16**	**5,265,198**	2,364,106	**17,288,377**	2,364,106
Cash at bank and in hand	**21**	**5,538,286**	810,841	**5,508,294**	808,441
		10,819,393	3,174,947	**22,796,671**	3,172,547
Total assets		**179,731,590**	38,109,090	**178,717,079**	27,958,795

Statements of financial position
at 31 December 2017

		Group		Company	
	Notes	**2017**	2016	**2017**	2016
		€	€	**€**	€
Current liabilities					
Trade and other payables	**17**	**3,691,202**	11,315,698	**2,144,883**	11,315,698
Short-term borrowings	**18**	**2,194,862**	3,421,182	**1,931,807**	3,421,182
Current tax liabilities		**778,437**	13,509	**28,821**	13,509
		6,664,501	14,750,389	**4,105,511**	14,750,389
Long-term liabilities					
Long-term borrowings	**18**	**14,214,586**	11,763,394	**14,214,586**	11,763,394
Deferred tax liability	**19**	**13,730,940**	-	**14,314,660**	-
		27,945,526	11,763,394	**28,529,246**	11,763,394
Total liabilities		**34,610,027**	26,513,783	**32,634,757**	26,513,783
Net assets		**145,121,563**	11,595,307	**146,082,322**	1,445,012
EQUITY					
Capital and reserves					
Share capital	**20**	**45,004,895**	1,200	**45,004,895**	1,200
Revaluation reserve		**77,204,810**	-	**77,204,810**	-
Retained earnings		**22,911,858**	11,594,107	**23,872,617**	1,443,812
Total equity		**145,121,563**	11,595,307	**146,082,322**	1,445,012

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 11 April 2018, and signed on its behalf by:

Mr Michael Stivala
Director

Mr Carlo Stivala
Director

The notes on pages 12 to 37 form an integral part of these financial statements.

Carmelo Stivala Group Limited

Statements of changes in equity
for the year ended 31 December 2017

Group

	Share capital €	Revaluation reserve €	Retained earnings €	Total €
At 1 January 2016	**1,200**	**-**	**1,259,351**	**1,260,551**
Profit for the year	-	-	10,334,756	10,334,756
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	10,334,756	10,334,756
At 31 December 2016	**1,200**	**-**	**11,594,107**	**11,595,307**
Profit for the year	-	-	59,943,876	59,943,876
Dividends paid	-	-	(506,000)	(506,000)
Other comprehensive income, net of tax	-	29,084,685	-	29,084,685
Total comprehensive expense	-	29,084,685	59,437,876	88,522,561
Revaluation of investment property, net of tax	-	48,120,125	(48,120,125)	-
Issue of share capital	45,003,695	-	-	45,003,695
At 31 December 2017	**45,004,895**	**77,204,810**	**22,911,858**	**145,121,563**

Statements of changes in equity
for the year ended 31 December 2017

Company

	Share capital €	Revaluation reserve €	Retained earnings €	Total €
At 1 January 2016	**1,200**	**-**	**1,259,351**	**1,260,551**
Profit for the year	-	-	184,461	184,461
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	184,461	184,461
At 31 December 2016	**1,200**	**-**	**1,443,812**	**1,445,012**
Profit for the year	-	-	100,139,615	100,139,615
Dividends paid	-	-	(506,000)	(506,000)
Total comprehensive income	-	-	99,633,615	99,633,615
Revaluation of investment property, net of tax	-	77,204,810	(77,204,810)	-
Issue of share capital	45,003,695	-	-	45,003,695
At 31 December 2017	**45,004,895**	**77,204,810**	**23,872,617**	**146,082,322**

Carmelo Stivala Group Limited

Statements of cash flows
for the year ended 31 December 2017

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Cash flows from operating activities				
Operating profit/(loss)	**3,847,235**	9,667,202	**(2,498,220)**	(483,093)
Adjustments for:				
Depreciation and amortisation	**2,904,637**	644,826	**-**	604,831
Waiver of related party loan	**-**	(10,190,290)	**-**	-
Provision on related party balance	**-**	-	**2,465,445**	-
Operating profit before working capital changes	**6,751,872**	121,738	**(32,775)**	121,738
Movement in inventories	**(15,909)**	-	**-**	-
Movement in trade and other receivables	**5,470,880**	5,199,382	**(665,051)**	5,199,382
Movement in trade and other payables	**23,217,530**	8,587,137	**37,907,930**	8,587,137
	35,424,373	13,908,257	**37,210,104**	13,908,257
Cash flows used in operating activities				
Net interest paid	**(269,278)**	(222)	**(639,912)**	(222)
Dividends received	**-**	265,892	**-**	265,892
Net taxation paid	**(310,600)**	(192,392)	**(42,485)**	(192,392)
Net cash flows from operating activities	**34,844,495**	13,981,535	**36,527,707**	13,981,535
Cash flows used in investing activities				
Acquisition of financial assets	**-**	(120)	**(498,800)**	(2,520)
Acquisition of intangible assets	**(46,061)**	-	**-**	-
Acquisition of investment property	**(30,106,737)**	(15,766,629)	**(32,290,871)**	(17,766,393)
Acquisition of property, plant and equipment	**(4,589,124)**	(6,221,764)	**-**	(4,222,000)
Proceeds from disposal of investment property	**-**	1,336,531	**-**	1,336,531
Net cash flows used in investing activities	**(34,741,922)**	(20,651,982)	**(32,789,671)**	(20,654,382)
Cash flows from financing activities				
Movement in ultimate beneficial owners' loan	**(1,591,624)**	129,760	**(1,591,624)**	129,760
Movement in related party loan	**-**	-	**(3,400,000)**	-
Movement in third party loan	**(2,000,000)**	2,000,000	**(2,000,000)**	2,000,000
Movement in banks loans	**7,953,440**	6,160,000	**7,953,440**	6,160,000
Net cash flows from financing activities	**4,361,816**	8,289,760	**961,816**	8,289,760
Net movement in cash and cash equivalents	**4,464,389**	1,619,313	**4,699,852**	1,616,913
Cash and cash equivalents at start of year	**810,841**	(808,472)	**808,441**	(808,472)
Cash and cash equivalents at end of year	**5,275,230**	810,841	**5,508,293**	808,441
Cash and cash equivalents				
Cash at bank and in hand	**5,538,286**	810,841	**5,508,294**	808,441
Bank balance overdrawn	**(263,056)**	-	**(1)**	-
	5,275,230	810,841	**5,508,293**	808,441

1 General information

Carmelo Stivala Group Limited is a limited liability company incorporated in Malta. The company is engaged in dealing in immovable property. One of the subsidiary companies is engaged in the renting and operating of hotels and hostels from the parent company whereas another subsidiary is engaged in the renting of residential and commercial properties to third parties. The comany's registered office is at 143, The Strand, Gzira GZR 1026, Malta.

2 Accounting policies

Accounting convention and basis of preparation

These consolidated financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the group and the company. They are prepared under the historical cost basis except for land and buildings, investment property and other financial instruments, which are stated at their fair values. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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

Basis of consolidation

These financial statements include the results of this company and all entities that are controlled by the parent company; Carmelo Stivala Group Limited.

Subsidiaries

Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operating policies of the subsidiary, or control the removal or appointment of a majority of the subsidiary's board of directors. Intra group balances and transactions are eliminated on consolidation.

The results of subsidiary companies acquired or sold during the year are included in the consolidated statement of comprehensive income from or to the effective date of acquisition or disposal. The acquisition of subsidiaries is accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets less liabilities incurred and equity instruments issued by the group in exchange for control plus any costs directly attributable to the business combination.

2 Accounting policies (continued)

Basis of consolidation (continued)

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. Goodwill is initially recognised at cost and is subsequently measured at cost less any impairment losses. Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognised immediately in the statement of comprehensive income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. After initial recognition, minority interest in the net assets consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Intangible assets

Intangible assets are initially recorded at cost. They are subsequently stated at cost less accumulated amortisation and impairment losses.

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

Computer software	25% Straight Line

Property, plant and equipment

The group and the company's property, plant and equipment are classified into the following classes; land and buildings, improvement to premises, plant and machinery, motor vehicles, kitchen equipment, computer equipment, electrical installations, energy saving equipment and furniture, fittings and office equipment.

Property, plant and equipment are initially recorded at cost. Except for land and buildings, they are subsequently stated at cost less accumulated depreciation and impairment losses. Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made for the entire class of land and buildings and with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the date of the statement of financial position.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any revaluation increase arising on the revaluation is credited to the revaluation reserve unless it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case, the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of an asset.

Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

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

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

Improvements	1 - 2% Straight Line
Motor vehicles	20% Straight Line
Kitchen equipment	20% Straight Line
Computer equipment	20% Straight Line
Plant and machinery	20% Straight Line
Furniture and fittings	10% - 20% Straight Line
Electrical installations	20% Straight Line
Energy saving equipment	20% Straight Line

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost can be measured reliably. Investment property is initially recognised at cost, including transaction costs.

2 Accounting policies (continued)

Investment property (continued)

Subsequent to initial recognition, investment property is stated at fair value unless the investment property is classified or included in a disposal group that is classified as held for sale, in which case, the investment property is measured at the lower of its carrying amount and fair value less costs to sell. Gains or losses arising from changes in fair value of investment property are recognised in the statement of comprehensive income in the period in which the changes arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal of proceeds, if any, and the carrying amount, and are recognised in the statement of comprehensive income in the period of derecognition.

There is a claim against a property owned by a subsidiary which, if successful, may severely affect the valuation of the underlying asset in that company's financial statements. The director has obtained comfort from legal advice sought that no loss is expected to occur against this investment.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through the statement of comprehensive income.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument are evaluated to determine whether the financial instruments are financial liabilities or equity instruments or whether they contain both a liability and an equity component, in which case such components are classified separately as financial liabilities and equity instruments.

2 Accounting policies (continued)

Financial instruments (continued)

Trade and other receivables

Trade and other short-term receivables are stated at cost less specific impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are stated at nominal value.

Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are stated at amortised cost using the effective interest method.

Subsequent to initial recognition, interest-bearing bank overdrafts are stated at face value in view of their short-term maturities.

Other borrowings

Subsequent to initial recognition, other borrowings are stated at amortised cost using the effective interest method unless the effect of discounting is immaterial.

Share capital

Ordinary shares are classified as equity. Dividends are recognised in the period in which they are declared.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2 Accounting policies (continued)

Impairment

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

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of taxes.

Sale of goods

Revenue represents the invoiced value of goods sold, net of taxes. Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Provision of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction.

Borrowing costs

Interest-related charges related to immovable property are capitalized and included with immovable property until construction is complete. Other interest-related charges are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

2 Accounting policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the statement of financial position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse. Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

Cash and cash equivalents

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

3. Critical accounting estimates and judgements

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

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

4. Revenue

	2017	2016
	€	€
Group		
Hospitality and entertainment	**8,426,054**	-
Rental income	**3,886,925**	185,000
Sale of ground rent	**2,329**	-
Commissions receivable	**9,042**	-
Other income	**62,078**	-
	12,386,428	185,000

	2017	2016
	€	€
Company		
Sale of ground rent	**2,329**	-
Rental income	**500**	185,000
	2,829	185,000

5. Staff costs and employee information

	Group	
	2017	2016
	€	€
Wages and salaries	**1,436,585**	-
Social security costs	**92,092**	-
	1,528,677	-

The average number of employees (including the directors) during the year were:

	Group	
	2017	2016
Management and administration	**15**	-
Operational	**85**	-
	100	-

6. Investment income

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit on disposal of investment property	**-**	556,326	**-**	556,326
Dividends receivable	**252,818**	265,892	**14,779,615**	265,892
Gain on merger	**10,571,858**	-	**10,571,858**	-
Sundry income	**442,879**	-	**-**	-
Impairment of goodwill from business combinations	**(2,370,735)**	-	**-**	-
	8,896,820	822,218	**25,351,473**	822,218

7. Interest receivable and similar income

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bank interest	**2,354**	-	**2,354**	-
Other interest receivable	**867**	-	**791,983**	-
	3,221	-	**794,337**	-

8. Finance costs

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Interest on bank balance overdrawn	**17,794**	222	**2,233**	222
Interest on bank loan	**558,112**	-	**558,112**	-
Other interest payable	**137,118**	-	**79,567**	-
	713,024	222	**639,912**	222

9. Profit before taxation

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit before taxation is stated after charging:				
Staff costs	**1,528,677**	-	-	-
Depreciation and amortisation	**2,904,637**	644,826	-	604,831
Loss on exchange	**3,137**	-	-	-
Auditors' remuneration	**31,194**	1,726	**9,619**	1,726

10. Taxation

As at year-end, the group had unabsorbed tax credits for which no deferred tax asset is recognised amounted to €548,384 (2016: €-).

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Malta Income Tax:				
Current – for the year	**794,221**	154,442	**72,873**	154,442
Deferred tax	**8,240,820**	-	**14,314,660**	-
	9,035,041	154,442	**14,387,533**	154,442

	Group		Company	
	2017	2016	**2017**	2016
	€	€	€	€
Profit before taxation	**68,978,917**	10,489,198	**114,527,448**	338,903
Tax thereon at 35%	**24,142,621**	3,671,219	**40,084,607**	118,616
Tax effect of permanent difference	**(15,299,514)**	(3,664,547)	**(25,697,074)**	(111,944)
Tax effect of unrecognised temporary differences	**191,934**	147,770	-	147,770
Tax charge for the year	**9,035,041**	154,442	**14,387,533**	154,442

11. Intangible assets

Group

	Computer software €
Cost	
Additions	46,061
At 31.12.2017	**46,061**
Amortisation	
Charge for the year	10,222
At 31.12.2017	**10,222**
Net book value	
At 31.12.2017	**35,839**
At 31.12.2016	-

12. Property, plant and equipment

Group

	Buildings	Motor vehicles	Kitchen equipment	Computer equipment	Plant and machinery	Furniture, fittings and office equipment	Electrical installations	Energy saving electronic equipment	Total
	€	€	€	€	€	€	€	€	€
Fair value/Cost									
Additions	7,549,446	112,734	46,790	59,506	307,505	6,452,194	603,587	1,280,292	16,412,054
At 31.12.2016	7,549,446	112,734	46,790	59,506	307,505	6,452,194	603,587	1,280,292	16,412,054
Transferred upon merger	10,621,299	-	-	-	-	-	-	-	10,621,299
Additions	3,396,450	233,331	-	-	151,256	303,063	505,024	-	4,589,124
Revaluation	34,574,805	-	-	-	-	-	-	-	34,574,805
At 31.12.2017	**56,142,000**	**346,065**	**46,790**	**59,506**	**458,761**	**6,755,257**	**1,108,611**	**1,280,292**	**66,197,282**
Depreciation									
Provision for the year	39,995	-	-	-	-	422,200	-	-	462,195
At 31.12.2016	39,995	-	-	-	-	422,200	-	-	462,195
Provision for the year	967,800	69,213	9,358	11,901	91,752	1,266,611	221,722	256,058	2,894,415
At 31.12.2017	**1,007,795**	**69,213**	**9,358**	**11,901**	**91,752**	**1,688,811**	**221,722**	**256,058**	**3,356,610**
Carrying amount									
At 31.12.2017	**55,134,205**	**276,852**	**37,432**	**47,605**	**367,009**	**5,066,446**	**886,889**	**1,024,234**	**62,840,672**
At 31.12.2016	7,509,451	112,734	46,790	59,506	307,505	6,029,994	603,587	1,280,292	15,949,859

12. Property, plant and equipment (continued)

The fair value is based on a valuation made by an independent professional architect on 28 August 2017.

The fair value of property, plant and equipment amounting to €5 million is based on the market comparable approach that reflects transaction prices for similar properties.

The fair value of property, plant and equipment amounting to €9 million is based on the income approach. The main inputs are the free cash flows amounting to €0.5 million and the capitalisation rate at 5.7%.

The fair value of property, plant and equipment amounting to €42 million is based on the discounting factor method. The calculation assumes a weighted average cost of capital of 6.95%.

Company

	Furniture and fittings €
Cost	
Additions	4,222,000
At 31.12.2016	4,222,000
At 01.01.2017	4,222,000
Transfer to subsidiary	(4,222,000)
At 31.12.2017	-
Depreciation	
Provision for the year	422,200
At 31.12.2016	422,200
At 01.01.2017	422,200
On transfer to subsidiary	(422,200)
At 31.12.2017	-
Net book value	
At 31.12.2017	-
At 31.12.2016	3,799,800

13. Investment property

	Group	Company
	€	€
Fair value/ Cost		
At 01.01.2016	4,221,870	4,221,870
Additions	15,766,629	17,766,393
Disposals	(790,503)	(790,503)
At 31.12.2016	19,197,996	21,197,760
At 01.01.2017	19,197,996	21,197,760
Additions	30,106,737	32,290,871
Transferred upon merger	-	10,621,299
Revaluation	56,730,113	91,304,918
At 31.12.2017	**106,034,846**	**155,414,848**
Depreciation		
At 01.01.2016	42,219	42,219
Provision for the year	182,631	182,631
On disposals	(10,298)	(10,298)
At 31.12.2016	214,552	214,552
At 01.01.2017	214,552	214,552
On revaluation	(214,552)	(214,552)
At 31.12.2017	-	-
Carrying amount		
At 31.12.2017	**106,034,846**	**155,414,848**
At 31.12.2016	18,983,444	20,983,208
At 31.12.2015	4,179,651	4,179,651

13. Investment property (continued)

The fair value is based on a valuation made by an independent professional architect on 28 August 2017.

The fair value of investment property amounting to €40 million is based on the market comparable approach that reflects transaction prices for similar properties.

The fair value of investment property amounting to €47 million is based on the income approach. The main inputs are the free cash flows amounting to €2.7 million and the capitalisation rate at 5.7%.

The cost of the additions after 28 August 2017 amounting to €19 million is considered by the directors to be equivalent to the fair value.

14. Financial assets

Group

Investments in associates

	€
Equity method	
Share of assets at 31.12.2016 / 31.12.2017	840

Details of the group's associates at the end of the reporting period are as follows:

	Group % of equity capital held		Group % of preference capital held	
	2017	2016	**2017**	2016
Quisisana Boutique Company Ltd	**50**	50	-	-
Platinum Developments Limited	**50**	50	-	-
Civala Limited	**50**	50	-	-

14. Financial assets (continued)

Summarised financial information on the group's associates is set out below:

	Quisisana Boutique Company Ltd €	Platinum Developments Limited €	Civala Limited €
Current assets	124,467	583,720	240
Non-current assets	-	1,409,146	-
Current liabilities	123,267	133,375	3,613
Non-current liabilities	-	2,115,570	-
Revenue	627,328	74,955	-
Profit/(Loss) for the year	462,295	(25,548)	(1,833)

Company

	Investments in subsidiaries €	Investments in associates €	Total €
Cost			
At 1 January 2017	2,400	840	3,240
Additions	502,320	-	502,320
At 31 December 2017	504,720	840	505,560

14. Financial assets (continued)

Investments in subsidiaries

The group financial statements consolidate the results and position of the following subsidiaries which all have 31 December year ends. The registered address of the following subsidiaries is 143, The Strand, Gzira GZR 1026, Malta:

	Group % of ordinary capital held
	2017
Stivala Properties Ltd	100
Stivala Operators Limited	100
ST Properties Ltd	100
ST Hotels Ltd	100

Investments in associates

Company	**Registered address**	**% of ordinary capital held**
		2017
Quisisana Boutique Company Ltd	143, The Strand, Gzira GZR 1026, Malta	50
Platinum Developments Ltd	143, The Strand, Gzira GZR 1026, Malta	50
Civala Limited	Vincenti Buildings 25/25, Strait Street Valletta VLT 1432, Malta	50

15. Inventories

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Good held for resale	**15,909**	-	-	-

16. Trade and other receivables

		Group		Company	
		2017	2016	**2017**	2016
		€	€	**€**	€
Trade receivables		**979,696**	-	-	-
Amounts owed by parent company		-	1,200	-	1,200
Amounts owed by subsidiaries	*Note*	-	-	**12,227,828**	1,061
Provision on subsidiary's balance		-	-	**(2,465,445)**	-
Amounts owed by other related parties	*Note*	**2,151,700**	2,116,511	**2,115,450**	2,115,450
Other receivables		**2,107,517**	246,395	**1,607,890**	246,395
Prepayments and accrued income		**26,285**	-	**3,802,654**	-
		5,265,198	2,364,106	**17,288,377**	2,364,106

Amounts owed by subsidiaries
Amounts owed by subsidiaries are unsecured, interest-free, and have no fixed date of repayment.

Amounts owed by other related parties
Amounts owed by other related parties are unsecured, interest-free, and have no fixed date of repayment.

17. Trade and other payables

		Group		Company	
		2017	2016	**2017**	2016
		€	€	**€**	€
Trade payables		**1,473,652**	-	-	-
Amounts owed to group undertakings		-	10,255,014	-	10,255,014
Amounts owed to subsidiaries	*Note*	-	-	**1,688,509**	1,200
Amounts owed to other related parties	*Note*	**427,013**	155,665	**225,031**	154,465
Other payables		**1,123,411**	867,647	**224,408**	867,647
Indirect taxation and social security		**55,251**	33,300	-	33,300
Accruals and deferred income		**611,875**	4,072	**6,935**	4,072
		3,691,202	11,315,698	**2,144,883**	11,315,698

17. Trade and other payables (continued)

Amounts owed to subsidiaries
Amounts owed to subsidiaries are unsecured, interest-free, and have no fixed date of repayment.

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

18. Borrowings

		Group		Company	
		2017	2016	**2017**	2016
		€	€	€	€
Bank balance overdrawn		**263,056**	-	**1**	-
Bank loans	*Note*	**14,113,440**	6,160,000	**14,113,440**	6,160,000
Ultimate beneficial owners' loans	*Note*	**2,032,952**	3,624,576	**2,032,952**	3,624,576
Third party loan		**-**	2,000,000	**-**	2,000,000
Related party loan		**-**	3,400,000	**-**	3,400,000
		16,409,448	15,184,576	**16,146,393**	15,184,576

Borrowings are repayable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	€	€
On demand or within one year	**2,194,862**	3,421,182	**1,931,807**	3,421,182
Between two and five years	**6,910,928**	11,763,394	**6,910,928**	11,763,394
After five years	**7,303,658**	-	**7,303,658**	-
	16,409,448	15,184,576	**16,146,393**	15,184,576

18. Borrowings (continued)

Bank loans
The bank loans are secured by a general hypothec over the company's assets, by guarantees of the parent company, by a special hypothec over property in Gzira, by pledges taken over various insurance policies, and by personal guarantees of the directors. A bank loan amounting to €9,374,623 bears interest at 3% per annum and is repayable at monthly instalments of €56,960 inclusive of interest for the first 36 months. Thereafter, interest is to be charged 4% per annum for the rest of the repayment period, and is repayable by monthly instalments of €61,516 inclusive of interest. Another loan amounting to €4,738,817 bears interest at 5.25% per annum and is repayable at aggregate monthly instalments of €144,701 inclusive of interest.

Ultimate beneficial owners' loans
Ultimate beneficial owners' loans are unsecured, interest-free and have no fixed date of repayment.

19. Deferred tax liability

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**(284,674)**	-	-	-
Unabsorbed tax losses and capital allowances	**(299,046)**	-	-	-
Revaluation of property	**14,314,660**	-	**14,314,660**	-
	13,730,940	-	**14,314,660**	-

20. Called up issued share capital

	2017	2016
	€	€
Authorised		
4,895 (2016: 1,200) ordinary shares of €1 each	**4,895**	1,200
45,000,000 (2016: Nil) redeemable preference shares of €1 each	**45,000,000**	-
	45,004,895	1,200
Called up issued and fully paid-up		
4,895 (2016: 1,200) ordinary shares of €1 each	**4,895**	1,200
45,000,000 (2016: Nil) redeemable preference shares of €1 each	**45,000,000**	-
	45,004,895	1,200

Each ordinary share gives the right to one vote, participates equally in profits distributed by the company and carries equal rights upon the distribution of assets by the company in the event of a winding up. The redeemable preference shares carry no voting rights.

21. Cash at bank and in hand

As at year end, neither the group nor the company had any restrictions on its cash at bank and in hand.

22. Capital commitments

As at 31 December 2017, one of the subsidiaries had a capital commitment to undertake the development and refurbishment of two hotels which in aggregate amount to €6,824,045.

23. Related parties

The group entered into transactions with related parties as set out below:

	2017	2016
	€	€
Transactions with other related parties:		
Dividends receivable	**252,818**	265,892
Waiver of intercompany balance payable	**12,230**	-
Acquisition of property, plant and equipment	**12,230**	-
Management fee receivable	**52,990**	-

The company entered into transactions with related parties as set out below:

	2017	2016
	€	€
Transactions with subsidiaries:		
Recharge of interest receivable	**791,983**	-
Dividends receivable	**14,779,615**	265,892
Rent receivable	**500**	-
Transactions with other related parties:		
Rent receivable	-	185,000

24. Ultimate controlling party

The company's parent and ultimate parent company is Stivala Group Finance plc, of 143, The Strand, Gzira GZR 1026, Malta. The ultimate controlling party is Bastille Malta Trustees Limited, as trustees.

25. Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management of the group and the company is co-ordinated by the directors and focuses on actively securing the group and the company's short to medium term cash flows by minimizing the exposure to financial risk.

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

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

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 14, 16 and 21.

The group and the company continuously monitor defaults of customers and other counterparts, and incorporate this information into their credit risk controls. The group and the company's policy is to deal with creditworthy counterparties.

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

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

Cash is placed with reliable financial institutions.

Liquidity risk

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

25. Risk management objectives and policies (continued)

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

Liquidity risk (continued)

Group

	Less than 6 months 2017 €	**From 6 to 12 months 2017 €**	**From 1 to 5 years 2017 €**	**More than 5 years 2017 €**	Less than 6 months 2016 €	From 6 to 12 months 2016 €	From 1 to 5 years 2016 €	More than 5 years 2016 €
Bank borrowings	**1,209,966**	**1,209,966**	**6,314,941**	**9,312,718**	855,354	855,354	6,836,630	-
Non-bank borrowings	-	-	-	-	25,000	2,050,000	-	-

Company

	Less than 6 months 2017 €	**From 6 to 12 months 2017 €**	**From 1 to 5 years 2017 €**	**More than 5 years 2017 €**	Less than 6 months 2016 €	From 6 to 12 months 2016 €	From 1 to 5 years 2016 €	More than 5 years 2016 €
Bank borrowings	**1,209,966**	**1,209,966**	**6,314,941**	**9,312,718**	855,354	855,354	6,836,630	-
Non-bank borrowings	-	-	-	-	25,000	2,050,000	-	-

Foreign currency risk

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

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

25. Risk management objectives and policies (continued)

Interest rate risk

The group and the company's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the director considers an upward or downward movement in interest of 1% to be reasonably possible.

26. Capital management policies and procedures

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