



COMPANY ANNOUNCEMENT

Stivala Group Finance P.L.C. (the “company”)

Date of Announcement	29th April 2019
Reference	STV10/2019

The following is a company announcement issued by Stivala Group Finance P.L.C. pursuant to the Listing Rules as issued by the Listing Authority.

Quote

Reference is being made to the previous announcement issued with reference STV09/2019. Audited consolidated financial statements for the year ended 31 Dec 2019 are hereby being attached.

Unquote

A handwritten signature in blue ink, appearing to read 'Rudi Xuereb', is written over a horizontal line.

Rudi Xuereb *f*: Stivala Group Finance PLC
Company Secretary
29th April 2019

Registration Number C 82218

Stivala Group Finance p.l.c.

Annual Report and Consolidated
Financial Statements

For the period ended 31 December 2018

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Stivala Group Finance p.l.c.

Directors, Officer and Other Information

Directors: Mr Michael Stivala
Mr Carlo Stivala
Mr Ivan Stivala
Mr Martin John Stivala
Dr Ann Marie Agius
Mr Joseph Brincat
Mr Francis Gouder

Secretary: Mr Rudi Xuereb

Registered office: 143
The Strand
Gzira GZR 1026
Malta

Country of incorporation: Malta

Company registration number: C 82218

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

Bankers: Bank of Valletta p.l.c.
212/215
Triq ix-Xatt
Insida PTA 9041
Malta

Legal adviser: R. Frendo Randon & Associates
Level 1, Britannia House
9, Old Bakery Street
Valletta VLT 1450
Malta

Stivala Group Finance p.l.c.

Directors' Report

Principal activities

The company was formed principally to act as a finance and investment company, in particular the financing or re-financing of the funding requirements of related companies within the Stivala Group.

Performance review

The company was incorporated on 21 August 2017. These financial statements cover the period from incorporation to 31 December 2018. The company's revenue amounting to €2,825,247 is derived from dividends receivable from its subsidiary. The major cost of the company is the bond interest payable amounting to €2,250,000. The company registered a profit after taxation of €416,567 and as at period-end its total equity amounted to €716,567.

The group's revenue for the period amounts to €19,655,398. The main revenue streams of the group are from hospitality and rental income. After deducting the main expenses being the cost of sales related to hospitality, staff costs, depreciation and amortisation, the group registered an operating profit of €7,769,072. The group registered a gain from bargain purchase of €112,886,018. The group's profit for the period is €115,562,390 and as at period end the group's total equity amounted to €115,826,550.

The directors expect that the group's trading activity will continue to improve in the foreseeable future.

Financial

Financial Key Performance Indicators

	Group 2018 €	Company 2018 €
Revenue	19,655,398	2,825,247
Operating profit	7,769,072	2,666,567
Net profit after tax	115,562,390	416,567
Earnings per share	385.09	1.39
Total equity	115,826,550	716,567

Stivala Group Finance p.l.c.

Directors' Report

Principal risks and uncertainties

The group and the company are exposed to risks inherent to its operation and can be summarized as follows:

1. Strategy Risks

Risk management falls under the responsibility of the Board of Directors. The Board is continuously analysing its' risk management strategy to ensure that risk is adequately identified and managed. The Audit Committee regularly reviews the risk profile adopted by the Board of Directors.

2. Operational Risks

The group's revenue is mainly derived from hospitality and rental income hence the group is heavily dependent on the operations of the hotels it owns and also the rental market. The group regularly reviews the financial performance of its revenue streams in order to ensure that there is sufficient liquidity to sustain its operations.

The company's revenue is mainly derived from dividend income hence the company is heavily dependent on the performance of the Stivala Group. The company regularly reviews the financial performance of the Stivala Group of Companies to ensure that there is sufficient liquidity to sustain its operations.

3. Legislative Risks

The group and the company are governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the group's and the company's ability to operate. The group and the company have embedded operating policies and procedures to ensure compliance with existing legislation.

Financial risk management and exposures

Note 28 to the financial statements provides a detailed analysis of the financial risk to which the group and the company are exposed.

Dividend and reserves

The directors do not recommend the payment of a dividend and propose to transfer the profit for the period to reserves.

Stivala Group Finance p.l.c.

Directors' Report

Directors

The directors, who served throughout the period, were:


Mr Michael Stivala
Mr Carlo Stivala
Mr Ivan Stivala
Mr Martin John Stivala
Dr Ann Marie Agius (appointed on 25 August 2017)
Mr Joseph Brincat (appointed on 13 September 2017)
Mr Francis Gouder (appointed on 25 August 2017)
Ms Anita Aloisio (appointed on 25 August 2017 and resigned on 13 September 2017)

In accordance with the company's articles of association, the present directors remain in office.

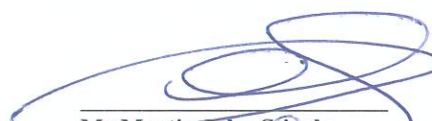
Auditors

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

Approved by the board of directors and signed on its behalf on 25th April 2019 by:



Mr Michael Stivala
Director



Mr Martin John Stivala
Director

Stivala Group Finance p.l.c.

Statement of Directors' Responsibilities

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

- 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 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the group and the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the group and the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

Pursuant to Listing Rule 5.97 issued by the Malta Financial Services Authority, Stivala Group Finance p.l.c. (the Company) is hereby reporting on the extent of its adoption of “the Code of Principles of Good Corporate Governance” (the Code) previously established by the Malta Stock Exchange. The Board has reviewed its Corporate Governance practices and an explanation of how the Principles of Good Governance have been applied is contained in this report.

The Company acts as a finance company to the Stivala Group of Companies and as such has minimal operations emanating from this task. Its primary function is the lending and monitoring of the proceeds of the Bonds issued to the public in 2017 by the Company and guaranteed by the subsidiary company; Carmelo Stivala Group Limited.

Compliance

Although the adoption of the Code is not mandatory, the Board has considered the principles embodied in the Code and has noted the Code’s recommended practices aimed towards the fulfilment of these same principles. The Board has also taken into account the nature of the Company’s structure, business activities and operations and in the light of such considerations it has formulated the view that the Company was generally in compliance with the Code throughout the period, with the following exception:

- The Company does not have a Remuneration Committee as recommended in Principle Eight, since the Company has no employees other than the Directors and the Company Secretary.

Board of Directors

The Board of Directors of Stivala Group Finance p.l.c. (the Board) is currently made up of seven directors, three of whom are completely independent from the Company or any related Group company. Pursuant to generally accepted practices, as well as the Company’s Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company’s shareholders.

The present directors are Mr Michael Stivala, Mr Carlo Stivala, Mr Ivan Stivala, Mr Martin John Stivala, Dr Ann Marie Agius, Mr Joseph Brincat and Mr Francis Gouder. Dr Agius, Mr Brincat and Mr Gouder are independent directors in that they have no involvement or relationship with the company or with the majority shareholders.

Mr Michael Stivala chairs the Board which met six times during the period under review. The Board has a formal schedule of matters reserved to it for decision. Directors receive board and committee papers few days in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company’s expense.

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

Audit Committee

The Audit Committee held six meetings during the period under review, besides having ongoing consultations with the Board of Directors, in the fulfilment of its task of monitoring and reviewing procedures and internal control systems.

Dealings by Directors and Senior Officers

Conscious of its responsibility for monitoring dealings by directors and senior officers in the Company's securities, the Board approved a Code of Conduct for Securities Transactions by Directors, Executives and Employees in compliance with Listing Rules 5.102 to 5.116. The code provides guidance to the Company's officers and serves as a minimum standard of good practice when dealing in the Company's securities.

During the period under review, there were no transactions in the Company's securities involving directors or any of the Company's employees in possession of unpublished price-sensitive information.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Audit Committee continued to review the Company's system of internal controls which are monitored by the Group's Finance Department, and is satisfied with their effectiveness.

A policy is in place, laying down the minimum required reports that should be made available to the Board in order to keep it informed in a structured and systematic manner on the operational and financial performance of the Company.

Risk Identification

Management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Board reviews its risk management policies and strategies and oversees their implementation to ensure that identified operational risks are properly assessed and managed.

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

Directors' Fees

The Board determines the fees of the Directors. The directors' fees for the financial period under review, as previously approved by the Board, were as follows:

	€
Dr Ann Marie Agius	7,500 *
Mr Joseph Brincat	7,500 *
Mr Francis Gouder	7,500 *

*includes the audit committee fee

Commitment to Maintain an Informed Market

The company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The company communicates effectively with shareholders by publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical company announcements and through press releases in the local media to the market in general. The financial results will be made available on the company's website www.stivalagroup.com.

Annual general meeting

Within four months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

Approved by the Board of Directors on 25th April 2019 and signed on its behalf by:

Mr Michael Stivala
Director

Mr Martin John Stivala
Director

Stivala Group Finance p.l.c.

Independent Auditors' Report to Stivala Group Finance p.l.c. on Corporate Governance Matters

Pursuant to the Listing Authority Rules issued by the Malta Financial Services Authority, the directors are required to include in their annual report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility as laid down by Listing Rule 5.98 requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 8 has been properly prepared in accordance with the requirements of the Listing Rules.



Mr Darren Bugeja

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: 25th April 2019

Stivala Group Finance p.l.c.

Independent Auditors' Report to the members of Stivala Group Finance p.l.c.

Opinion

We have audited the accompanying financial statements of Stivala Group Finance p.l.c. and the group, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period 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 Stivala Group Finance p.l.c. as of 31 December 2018 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Stivala Group Finance p.l.c.

Independent Auditors' Report to the members of Stivala Group Finance p.l.c.

1. Investment property

Key audit matter

The valuation of the investment property is inherently subjective.

How the key audit matter was addressed in our audit

The architect's valuation was reviewed and tested by accessing the reasonableness of the inputs, verifying the calculations and the appropriateness of the resulting fair value.

2. Property, plant and equipment

Key audit matter

The valuation of the property, plant and equipment is inherently subjective.

How the key audit matter was addressed in our audit

In assessing the valuation of buildings which are partly stated at fair value, the architect's valuation was reviewed and tested by accessing the reasonableness of the inputs, verifying the calculations and the appropriateness of the resulting fair value.

3. Debt securities in issue

Key audit matter

The company has issued a bond and this is the largest liability category of the company.

How the key audit matter was addressed in our audit

The documentation related to the bond issued was vouched and the related workings were checked and confirmed.

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.

Stivala Group Finance p.l.c.

Independent Auditors' Report to the members of Stivala Group Finance p.l.c.

Other information (continued)

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.

Based on the work we have performed, in our opinion, the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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 group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the group's financial reporting process.

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.

Stivala Group Finance p.l.c.

Independent Auditors' Report to the members of Stivala Group Finance p.l.c.

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

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

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

Conclude on the appropriateness of the directors' use of 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.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Stivala Group Finance p.l.c.

Independent Auditors' Report to the members of Stivala Group Finance p.l.c.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Mr Darren Bugeja

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: 25th April 2019

Stivala Group Finance p.l.c.

Statements of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2018

	Note	Group 2018 €	Company 2018 €
Revenue	4	19,655,398	2,825,247
Cost of sales		(6,204,696)	-
Other operating income	5	866,351	-
Administrative expenses		(1,710,374)	(136,180)
Staff costs	6	(1,802,015)	(22,500)
Depreciation and amortisation		(3,035,592)	-
Operating profit		7,769,072	2,666,567
Gain from bargain purchase	7	112,886,018	-
Share of results of associates		(840)	-
Finance costs	8	(2,893,799)	(2,250,000)
Movement in revaluation of investment property		2,333,982	-
Profit before taxation	9	120,094,433	416,567
Income tax	10	(4,532,043)	-
Profit for the period		115,562,390	416,567
Other comprehensive income, net of taxation			
Deferred taxation movement on property, plant and equipment at fair value		(35,840)	-
		(35,840)	-
Total comprehensive income for the period		115,526,550	416,567
Earnings per share	11	385.09	1.39

The notes on pages 21 to 43 form an integral part of these financial statements.

Stivala Group Finance p.l.c.

Statements of Financial Position

As at 31 December 2018

		Group 2018	Company 2018
	Note	€	€
ASSETS			
Non-current assets			
Intangible assets	12	70,236	-
Property, plant and equipment	13	74,947,238	-
Investment property	14	115,846,079	-
Investment in subsidiary	15	-	45,004,895
Investment in associates	15	500	-
Loans and receivables	15	7,620,953	510,652
		<hr/>	<hr/>
		198,485,006	45,515,547
Current assets			
Inventory	16	10,931	-
Trade and other receivables	17	3,693,407	-
Current tax recoverable	18	-	297,913
Cash at bank and in hand	19	235,195	1,447
		<hr/>	<hr/>
		3,939,533	299,360
		<hr/>	<hr/>
Total assets		202,424,539	45,814,907

The notes on pages 21 to 43 form an integral part of these financial statements.

Stivala Group Finance p.l.c.

Statements of Financial Position (continued)

As at 31 December 2018

	Note	Group 2018 €	Company 2018 €
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	20	300,000	300,000
Retained earnings		26,357,233	416,567
Revaluation reserve		89,169,317	-
Total equity		115,826,550	716,567
Non-current liabilities			
Long-term borrowings	21	14,605,831	-
Debt securities in issue	22	44,640,000	44,640,000
Deferred taxation	23	15,394,236	-
		74,640,067	44,640,000
Current liabilities			
Short-term borrowings	21	3,684,371	-
Trade and other payables	24	7,072,302	458,340
Current tax liability	18	1,201,249	-
		11,957,922	458,340
Total liabilities		86,597,989	45,098,340
Total equity and liabilities		202,424,539	45,814,907

These financial statements were approved by the board of directors, authorised for issue on 25th April 2019 and signed on its behalf by:



Mr Michael Stivala
Director



Mr Martin John Stivala
Director

The notes on pages 21 to 43 form an integral part of these financial statements.

Stivala Group Finance p.l.c.

Statements of Changes in Equity

For the period ended 31 December 2018

Group	Called up issued share capital €	Retained earnings €	Revaluation reserve €	Total €
Profit for the period	-	115,562,390	-	115,562,390
Other comprehensive income	-	-	(35,840)	(35,840)
Total comprehensive income	-	115,562,390	(35,840)	115,526,550
Revaluation of investment property, net of tax	-	794,726	(794,726)	-
Revaluation reserve on acquisition	-	(89,999,883)	89,999,883	-
Issue of share capital	300,000	-	-	300,000
At 31 December 2018	300,000	26,357,233	89,169,317	115,826,550

Stivala Group Finance p.l.c.

Statements of Changes in Equity

For the period ended 31 December 2018

Company	Called up issued share capital €	Retained earnings €	Total €
Profit for the period	-	416,567	416,567
Other comprehensive income	-	-	-
Total comprehensive income	-	416,567	416,567
Issue of share capital	300,000	-	300,000
At 31 December 2018	300,000	416,567	716,567

Stivala Group Finance p.l.c.

Statements of Cash Flows

For the period ended 31 December 2018

	Group 2018 €	Company 2018 €
Note		
Cash flows from operating activities		
Operating profit	7,769,072	2,666,567
Adjustments for:		
Depreciation	3,015,478	-
Amortisation	20,114	-
Bond issue costs amortisation for the period	90,000	90,000
Dividends receivable	(252,818)	(2,825,247)
Movement in allowances for expected credit losses	54,576	3,026
	<hr/>	<hr/>
Operating profit before working capital movements	10,696,422	(65,654)
Movement in inventories	(10,931)	-
Movement in trade and other receivables	12,267,359	(5,523,147)
Movement in trade and other payables	(9,737,489)	458,340
	<hr/>	<hr/>
Cash flows used from operations	13,215,361	(5,130,461)
Interest paid	(2,893,799)	(2,250,000)
Net taxation paid	(662,963)	(297,913)
	<hr/>	<hr/>
Net cash from operating activities	9,658,599	(7,678,374)
	<hr/>	<hr/>
Cash flows used in investing activities		
Acquisitions of investment property	(36,655,926)	-
Acquisitions of property, plant and equipment	(5,877,882)	-
Acquisitions of intangible assets	(82,668)	-
Acquisitions of financial assets	(500)	-
Movement in loans to related parties	(7,657,093)	-
	<hr/>	<hr/>
Net cash used in investing activities	(50,274,069)	-
	<hr/>	<hr/>
Cash flows used from financing activities		
Movement in amounts owed to other related parties	61,259	-
Proceeds from bond issue	44,550,000	7,429,821
Movement in bank loans	(3,208,254)	-
Movement in other loans	(2,000,000)	-
Issue of share capital	250,000	250,000
	<hr/>	<hr/>
Net cash used from financing activities	39,653,005	7,679,821
	<hr/>	<hr/>
Net movement in cash and cash equivalents	(962,465)	-
Cash and cash equivalents on acquisition	(1,409,688)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	19 (2,372,153)	1,447
	<hr/>	<hr/>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

1. General information

Stivala Group Finance p.l.c is a limited liability company incorporated in Malta. The company was principally formed for the financing or re-financing of the funding requirements of related companies.

2. Significant 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 freehold land and buildings which are stated at their revalued amounts and 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).

New and revised standards that are effective for the current period

In the current period, the group and the company have applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

In the current period, the group has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

New and revised standards that are issued but not yet effective

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

New and revised standards that are issued but not yet effective (continued)

At this stage the company is still in the process of assessing and evaluating the impact of IFRS 16.

Basis of consolidation

These financial statements include the results of the holding company and all entities that are controlled by the ultimate parent company; Stivala Group Finance p.l.c..

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.

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.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associates are accounted for in the consolidated financial statements under the equity method from the date that significant influence commences until the date that significant influence ceases. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates, less any impairment in the value of the investments. The group's share of the post-acquisition reserves is recognised directly in equity. The group's share of losses in excess of its interest in that associate is not recognised, unless the group has incurred obligations or made payments on behalf of the associates.

Intangible assets

Intangible assets are initially recorded at cost. They are subsequently stated at cost less accumulated amortization 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 are as follows:

Computer software	-	25% Straight Line
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Property, plant and equipment

Property, plant and equipment, except for buildings, are initially recorded at cost. They are subsequently stated at cost less accumulated depreciation and impairment losses. After initial recognition, buildings are carried under the fair value model, with changes in fair value above the historical cost being recognized in a separate component of equity under the heading of fair value reserve.

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

Depreciation is provided at rates intended to write down the cost of the assets on their expected useful lives. The annual rates used are as follows:

Buildings	-	1% Straight Line
Motor vehicles	-	20% Straight Line
Kitchen equipment	-	20% Straight Line
Computer equipment	-	20% Straight Line
Plant and machinery	-	20% Straight Line
Furniture, fittings and office equipment	-	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 property will flow to the company, and the cost of the property can be reliably measured. Investment property is initially measured at cost, comprising its purchase price and any directly attributable costs.

After initial recognition, investment property is carried under the fair value model, with changes in fair value above the historical cost of investment property being recognised in a separate component of equity under the heading of fair value reserve.

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

Financial assets

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

Investments in subsidiaries are stated at cost less impairment losses.

Financial assets at amortised cost are financial assets that meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect contractual cash flows; and

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

Financial assets (continued)

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is not material. The entity's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial liabilities

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

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

Ordinary shares issued by the company are classified as equity instruments.

Debt securities in issue are stated at amortised cost. The amortization is calculated using the effective yield method and is recognized in profit or loss over the period of the debt security.

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.

Inventories

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

Impairment

Impairment testing for intangible assets, property, plant and equipment and investment property

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

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

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

Revenue from sale of goods and services

Revenue from the sale of goods and services is recognised either at a point in time or over time, when the entity satisfies performance obligations by transferring the promised good or providing the promised services to its customers.

Rental income

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Dividend receivable

Dividend receivable is recognized when the shareholder's rights to receive payment has been established.

Taxation

Current tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

2. Significant accounting policies (continued)

Taxation (continued)

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of 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.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank balances overdrawn and bank overdrafts.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements.

At the statement of financial position date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Revenue

	Group 2018 €	Company 2018 €
Hospitality and entertainment	11,589,124	-
Rental income	7,800,573	-
Sale of ground rent	2,329	-
Commissions receivable	10,554	-
Dividend receivable	252,818	2,825,247
	<u>19,655,398</u>	<u>2,825,247</u>

5. Other operating income

	Group 2018 €	Company 2018 €
Recharge of water and electricity to tenants	457,809	-
Government grants receivable	23,397	-
Management fees	68,078	-
Insurance claims	10,000	-
Miscellaneous income	307,067	-
	<u>866,351</u>	<u>-</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

6. Staff costs and employee information

	Group 2018 €	Company 2018 €
Wages and salaries	1,540,407	-
Social security contributions	107,984	-
Directors' fees and remuneration	153,624	22,500
	<u>1,802,015</u>	<u>22,500</u>
	Group 2018	Company 2018
The average number of employees during the period were:		
Administration	17	-
Operational	90	-
	<u>107</u>	<u>-</u>

7. Gain from bargain purchase

On 5 September 2017 Stivala Group Finance p.l.c. acquired Carmelo Stivala Group Limited and its subsidiaries. On acquisition, the subsidiaries and sub-subsidiaries had the following identifiable assets and liabilities:

	€
Assets	
Investment property	76,856,171
Property, plant and equipment	72,084,834
Intangible assets	7,682
Investments in associates	840
Trade and other receivables	14,306,227
Cash and cash equivalents	178,562
	<u>163,434,316</u>
Liabilities	
Trade and other payables	(15,439,635)
Short-term borrowings	(1,588,250)
Taxation	(553,457)
Other loans	(2,000,000)
Bank loans	(18,829,848)
Deferred taxation	(12,137,108)
	<u>(50,548,298)</u>
	<u>112,886,018</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

8. Finance costs

	Group 2018 €	Company 2018 €
Interest on debt securities in issue	2,250,000	2,250,000
Interest on bank loans, overdrafts and bank balances overdrawn	643,799	-
	<u>2,893,799</u>	<u>2,250,000</u>

9. Profit before taxation

	Group 2018 €	Company 2018 €
<i>Profit before taxation is stated after charging:</i>		
Auditors' remuneration	25,941	3,540
Staff costs	1,648,391	-
Directors' fees and remuneration	153,624	22,500
Movement in allowance for expected credit losses	54,576	3,026
Depreciation charge	3,015,478	-
Amortisation	20,114	-
	<u>23,397</u>	<u>-</u>
<i>and after crediting:</i>		
Government grants	23,397	-
	<u>23,397</u>	<u>-</u>

10. Income tax

As at period-end, the company had unabsorbed temporary differences for which no deferred tax asset was recognised amounting to €3,026.

As at period-end, the group had unabsorbed temporary differences and tax credits for which no deferred tax asset is recognised amounting to €2,465,445 and €1,566,811 respectively.

	Group 2018 €	Company 2018 €
<i>Malta Income Tax:</i>		
Current taxation	1,310,755	-
Deferred taxation	3,221,288	-
	<u>4,532,043</u>	<u>-</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

10. Income tax (continued)

The accounting profit and the tax charge for the period are reconciled as follows:

	€	€
Profit before tax	120,094,433	20,346
Tax thereon at 35%	42,033,052	7,121
Tax effect of:		
Tax effect of unrecognised temporary differences	1,411,290	-
Tax effect of permanent differences	(38,912,299)	(7,121)
Income tax charge for the period	4,532,043	-

11. Earnings per share

The earnings per share has been calculated on the profit for the period of €115,526,550 of the group and €416,567 of the company divided by the weighted average number of ordinary shares in issue during the period.

	Group 2018	Company 2018
Weighted average number of shares in issue	300,000	300,000
	€	€
Earnings per share	385.09	1.39

12. Intangible assets

Group	Computer software €
Cost	
On acquisition	7,682
Additions	82,668
At 31 December 2018	90,350
Amortisation	
Charge for the period	20,114
At 31 December 2018	20,114
Net book value	
At 31 December 2018	70,236

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

13. Property, plant and equipment

Group

	Buildings	Motor vehicles	Kitchen equipment	Computer equipment	Plant and machinery	Furniture, fittings and office equipment	Electrical installations	Energy saving equipment	Total
Fair value/Cost	€	€	€	€	€	€	€	€	€
On acquisition	64,758,076	238,753	25,482	31,080	305,221	4,809,858	889,983	1,026,381	72,084,834
Additions	3,714,330	169,982	14,023	94,419	192,431	744,054	948,643	-	5,877,882
At 31.12.2018	68,472,406	408,735	39,505	125,499	497,652	5,553,912	1,838,626	1,026,381	77,962,716
Depreciation									
Provision for the period	678,648	97,817	10,377	28,287	120,396	1,403,691	418,059	258,203	3,015,478
At 31.12.2018	678,648	97,817	10,377	28,287	120,396	1,403,691	418,059	258,203	3,015,478
Carrying amount									
At 31.12.2018	67,793,758	310,918	29,128	97,212	377,256	4,150,221	1,420,567	768,178	74,947,238

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

13. 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 €20 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 €6 million is based on the income approach. The main inputs are the free cash flows amounting to €0.3 million and the capitalisation rate at 5.7%.

The fair value of property, plant and equipment amounting to €39 million is based on the discounting factor method. The calculation assumes a weighted average cost of capital of 6.95%.

The cost of the additions after 28 August 2017 amounting to €3 million is considered by the directors to be equivalent to the fair value.

14. Investment property

	€
Fair value	
On acquisition	76,856,171
Additions	36,655,926
Revaluation	2,333,982
	<hr/>
At 31 December 2018	115,846,079
	<hr/>

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 €29 million is based on the market comparable approach that reflects transaction prices for similar properties.

The fair value of investment property amounting to €50 million is based on the income approach. The main inputs are the free cash flows amounting to €2.85 million and the capitalisation rate at 5.7%.

The cost of the additions after 28 August 2017 amounting to €37 million is considered by the directors to be equivalent to the fair value.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

15. Financial assets

Group

Non-current financial assets

	Loans to associates	Loans to other related parties	Investment in associates	Total
	€	€	€	€
Cost				
On acquisition	-	-	840	840
Additions	2,155,477	5,501,616	500	7,657,593
Share of results	-	-	(840)	(840)
At 31 December 2018	2,155,477	5,501,616	500	7,657,593
Expected credit loss allowance				
Movement	(27,337)	(8,803)	-	(36,140)
At 31 December 2018	(27,337)	(8,803)	-	(36,140)
Carrying amount				
At 31 December 2018	2,128,140	5,492,813	500	7,621,453

Loans to associates and other related parties

Loans to associates and other related parties are unsecured, interest-free and have no fixed date of repayment. The group determines the loss allowance for associates and other related parties at a probability of default ranging between 0.16% and 3.3% and a loss given default ranging between 30.97% and 100%, which resulted into an expected credit loss allowance of €36,140.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

15. Financial assets (continued)

Company

Non-current financial assets

	Loan to subsidiary €	Investment in subsidiary €	Total €
Cost			
Additions	513,678	45,004,895	45,518,573
At 31 December 2018	<u>513,678</u>	<u>45,004,895</u>	<u>45,518,573</u>
Expected credit loss allowance			
Movement	(3,026)	-	(3,026)
At 31 December 2018	<u>(3,026)</u>	<u>-</u>	<u>(3,026)</u>
Carrying amount			
At 31 December 2018	<u>510,652</u>	<u>45,004,895</u>	<u>45,515,547</u>

Loan to subsidiary

Loan to subsidiary is unsecured, interest-free and has no fixed date of repayment.

Investment in subsidiary

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

Subsidiary	Group % of ordinary capital held	Group % of preference capital held
Carmelo Stivala Group Limited	100	100
Sub-subsidiaries		
Stivala Properties Ltd	100	-
Stivala Operators Limited	100	-
ST Properties Ltd	100	-
ST Hotels Ltd	100	-

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

15. Financial assets (continued)

Investment in associates

	Registered address	Group % of ordinary capital held
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
Sliema Creek Lido Limited	Number 2, Geraldus Farrugia Street Zebbug ZBG 4351, Malta	33.33

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

	2018
	€
Current assets	698,302
Non-current assets	1,409,146
Current liabilities	43,179
Non-current liabilities	2,388,776

16. Inventory

	Group 2018 €	Company 2018 €
Goods held for resale	10,931	-

17. Trade and other receivables

	Group 2018 €	Company 2018 €
Trade receivables	612,294	-
Allowance for ECL on trade receivables	(18,436)	-
	593,858	-
Amounts owed by other related parties	2,775	-
Ultimate beneficial owners' current account	1,420,157	-
Other receivables	1,641,849	-
Prepayments and accrued income	34,768	-
	3,693,407	-

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

17. Trade and other receivables (continued)

Impairment for financial assets

Trade receivables

The group applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31 December 2018 was determined as follows:

		<i>Trade receivables days past due</i>					Total
		Current	>30 days	> 60 days	> 90 days	> 180 days	
Expected credit loss rate	%	3.30	3.63	4.30	5.30	9.30	
Gross carrying amount	€	154,383	277,085	76,136	-	-	507,604
Lifetime expected credit losses	€	5,095	10,067	3,274	-	-	18,436

Trade receivables amounting to €104,690 are backed by deposits (in other payables) and therefore there is no default risk and hence no expected credit loss allowance.

Amounts owed by other related parties

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

Ultimate beneficial owners' current accounts

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

18. Current tax

	Group 2018 €	Company 2018 €
On acquisition	(553,457)	-
Tax charge for the period	(1,310,755)	-
Settlement tax paid	654,889	-
Tax paid at source	22,350	297,913
Tax refundable	(14,276)	-
	<u>(1,201,249)</u>	<u>297,913</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

19. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

	Group 2018 €	Company 2018 €
Cash at bank and in hand	235,195	1,447
Bank balance overdrawn/ bank overdraft (<i>Note 21</i>)	(2,607,348)	-
	<u>(2,372,153)</u>	<u>1,447</u>

As at period-end, the group had blocked funds amounting to €59,724.

20. Called up issued share capital

	2018 €
Authorised	
500,000 ordinary shares of €1 each	500,000
Called up issued and fully paid up	
300,000 ordinary shares of €1 each	<u>300,000</u>

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.

21. Borrowings

Group	2018 €
Bank balance overdrawn	747,379
Bank overdraft	<i>Note</i> 1,859,969
Bank loans	<i>Note</i> 15,621,595
Amounts owed to associates	<i>Note</i> 61,259
	<u>18,290,202</u>

Borrowings are repayable as follows:

	€
On demand or within one year	3,684,371
Between two and five years	<u>5,754,537</u>
After five years	8,851,294
Long-term borrowings	<u>14,605,831</u>
	<u>18,290,202</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

21. Borrowings (continued)

Bank overdraft

At period-end, one of the sub-subsidiaries had a bank overdraft facility of €1,400,000. This facility is secured by a general hypothec over the respective company's assets, by a special hypothec over property owned by other subsidiaries, by a pledge taken over an insurance policy, and by guarantees of group companies. It bears interest at 4% per annum.

Bank loans

The bank loans are secured by a general hypothec over the respective subsidiary'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 €9,027,603 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 at 4% per annum for the rest of the repayment period, and is repayable by monthly instalments of €61,516 inclusive of interest. Another two bank loans amounting to €3,798,190 and €2,795,801 bear interest at 4.33% per annum and are repayable by monthly instalments of €40,605 and €50,755 inclusive of interest respectively.

Amounts owed to associates

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

22. Debt securities in issue

	Group 2018 €	Company 2018 €
Bond issue	45,000,000	45,000,000
Bond issue costs	(450,000)	(450,000)
Bond issue costs amortisation for the period	90,000	90,000
At end of period	<u>44,640,000</u>	<u>44,640,000</u>
Falling due after more than five years	<u>44,640,000</u>	<u>44,640,000</u>

As at period-end, the company had a balance of €44,640,000 from the bond issue of €45 million 4% secured bonds of €100 nominal value each, redeemable at par in 2027. The amount is made up of the bond issue of €45 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 18 October of each year at the above-mentioned rate. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by Carmelo Stivala Group Limited.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the period ended 31 December 2018

23. Deferred taxation

Group

Arising on:	2018
Excess of capital allowances over depreciation	€ (448,669)
Unabsorbed tax credits	(36,019)
Revaluation of property	15,885,377
Movement in allowance for expected loss	(6,453)
	<u>15,394,236</u>

24. Trade and other payables

	Group 2018 €	Company 2018 €
Current		
Trade payables	2,558,230	1,770
Amounts owed to other related parties	27,724	-
Accruals and deferred income	1,687,538	454,189
Indirect taxation	452,605	-
Other payables	2,346,205	2,380
	<u>7,072,302</u>	<u>458,339</u>

Amounts owed to other related parties

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

25. Capital commitments

Details of capital commitments at the accounting date are as follows:

	Group 2018 €
Approved but not yet contracted for	419,889
Approved and contracted for	<u>17,298,181</u>

26. Contingent liabilities

Two of the sub-subsidiaries are engaged in legal actions in respect of claims against them amounting to €11,000. The companies are restricting these claims. No provision has been made in the consolidated financial statements in respect of these claims.

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Notes to the Financial Statements

For the period ended 31 December 2018

27. Related parties

Group

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

	2018
	€
<i>Transactions with associates:</i>	
Dividends receivable	252,818
	<hr/>

Company

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

	2018
	€
<i>Transactions with subsidiaries:</i>	
Dividends receivable	2,825,247
	<hr/>

28. Risk management objectives and policies

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 are 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 group and the company are exposed to are described below.

Credit risk

The group's and 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 15, 17 and 19.

The group and the company continuously monitor defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The group's and the company's policies are to deal only 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.

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Notes to the Financial Statements

For the period ended 31 December 2018

28. Risk management objectives and policies (continued)

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, bank borrowings, 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 company's obligations when they become due.

As at 31 December 2018 the group is in a net current liability position of €8,018,389. The directors are confident that these current liabilities are financed through the generation of funds from the operations when they fall due. The ultimate beneficial owners have pledged to continue to support the group.

At 31 December 2018, the contractual maturities on the financial liabilities of the group and the company 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.

Group

	Less than 6 months 2018	From 6 to 12 months 2018	From 1 to 5 years 2018	More than 5 years 2018
	€	€	€	€
Bank borrowings	700,568	917,256	7,338,048	10,127,986
Non-bank borrowings	892,603	907,397	9,009,863	50,030,137

Company

	Less than 6 months 2018	From 6 to 12 months 2018	From 1 to 5 years 2018	More than 5 years 2018
	€	€	€	€
Non-bank borrowings	892,603	907,397	9,009,863	50,030,137

Foreign currency risk

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

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

Interest rate risk

The group's 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 directors consider an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a movement is considered immaterial.

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Notes to the Financial Statements

For the period ended 31 December 2018

29. 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, bank borrowings, trade and other payables and other financial liabilities less cash and cash equivalents, against total capital on an ongoing basis.