COMPANY ANNOUNCEMENT

Stivala Group Finance p.l.c. (the "company")

Date of Announcement	**30th April 2020**
Reference	**STV22/2020**

The following is a company announcement issued by Stivala Group Finance p.l.c. (C 82218) (the "company") pursuant to Malta Financial Services Authority Listing Rules.

Quote

The Board of Directors of Stivala Group Finance Plc met on Tuesday 21st April 2020 and approved the Financial Statements of the Guarantor for the financial year ending 31st December 2019.

A copy of this report and the corresponding financial statements is available for download from the Company`s website:

https://stivalagroup.com/wp-content/uploads/2020/04/Audited-financial-statements-of-the-Guarantor-FY2019.pdf

Unquote

Rudi Xuereb *f:* Stivala Group Finance PLC
Company Secretary
30th April 2020

Registration Number C 62625

CARMELO STIVALA GROUP LIMITED

Report and Financial Statements

for the year ended 31 December 2019

Contents

Directors' Report
for the year ended 31 December 2019

Directors	Mr Michael Stivala Mr Ivan Stivala Mr Carlo Stivala Mr Ivan Stivala
Registered address	143 The Strand Gzira GZR 1026 Malta

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal activities

The company is engaged in renting properties to related parties. It is also a holding company.

Business review

The profit for the year amounted to € 9,534,715 (2018 : € 6,512,368). During the year the company received rental income from two of its related companies. It also received dividend income from one of its subsidiaries, and it also sold some property units. The directors expect that the company's activities will remain consistent for the foreseeable future.

Dividends and reserves

The directors have paid an interim dividend amounting to € 1,672,125 and they do not recommend payment of a final dividend.

Events after the reporting period

Following the outbreak of the COVID 19 pandemic, the directors are monitoring the situation and taking immediate action to safeguard the interests of the company. To date the company's operations have been curtailed. Given that the company's income is highly dependent on the performance of its operating subsidiaries, it is expected that dividend income will decrease. In addition, rental income from its subsidiaries will still be charged although settlement of such rent might take longer due to cashflow reasons. On the otherhand, the directors also confirmed that no property sales were expected to take place during 2020 and thus the same expectations still apply in this scenario.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

Directors

In accordance with the company's Articles of Association, the directors, who held office throughout the year, remain in office.

Directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that 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 keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 21 April 2020, and signed on its behalf by:

Mr Michael Stivala **Director**	**Mr Ivan Stivala** **Director**

Opinion

We have audited the accompanying financial statements of Carmelo Stivala Group Limited, which comprise the Statement of Financial Position as at 31 December 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement 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 2019 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 (Chap. 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 (Chap. 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 (Chap. 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 directors either intend to liquidate the entity or to cease operations, or have 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 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.

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 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 : 21 April 2020

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 €	2018 €
Revenue	2, 5	10,874,018	5,926,017
Cost of sales		(1,343,087)	-
Gross profit		9,530,931	5,926,017
Administrative expenses		(188,065)	(19,161)
Operating profit	6	9,342,866	5,906,856
Other income	7	199,281	4,513
Interest receivable and similar income	8	412,838	286,122
Finance costs	9	(422,012)	(293,111)
Movement on revaluation of investment property		1,732,865	1,339,776
Profit before taxation		11,265,838	7,244,156
Income tax	10	(1,731,123)	(731,788)
Profit for the year		9,534,715	6,512,368
Total comprehensive income		9,534,715	6,512,368

The notes on pages 10 to 26 form an integral part of these financial statements.

CARMELO STIVALA GROUP LIMITED

Statement of Financial Position

at 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Investment property	11	181,798,265	174,722,142
Investments in subsidiaries	12	504,720	504,720
Investments in associates	12	840	840
Loans	12	22,923,276	13,283,192
		205,227,101	188,510,894
Current assets			
Inventories	13	756,207	-
Trade and other receivables	14	6,768,070	2,466,819
Cash at bank and in hand	15	622,926	1,417
		8,147,203	2,468,236
Total assets		213,374,304	190,979,130
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	16	60,004,895	45,004,895
Revaluation reserve		89,405,988	88,273,869
Retained earnings		34,372,957	27,642,486
Total equity		183,783,840	160,921,250
Non-current liabilities			
Long-term borrowings	17	11,194,636	11,858,669
Deferred taxation	18	16,486,123	15,885,377
		27,680,759	27,744,046
Current liabilities			
Short-term borrowings	17	401,942	1,207,209
Trade and other payables	19	739,724	1,061,808
Current tax payable	20	768,039	44,817
		1,909,705	2,313,834
Total liabilities		29,590,464	30,057,880
Total equity and liabilities		213,374,304	190,979,130

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2020, and signed on its behalf by:

Mr Michael Stivala
Director

Mr Ivan Stivala
Director

The notes on pages 10 to 26 form an integral part of these financial statements.

CARMELO STIVALA GROUP LIMITED

Statement of Changes in Equity
for the year ended 31 December 2019

	Called-up issued share capital €	Revaluation reserve €	Retained earnings €	Total €
At 1 January 2018	45,004,895	87,600,810	23,828,177	156,433,882
Profit for the year	-	-	6,512,368	6,512,368
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,512,368	6,512,368
Dividends	-	-	(2,025,000)	(2,025,000)
Revaluation of investment property, net of deferred tax	-	673,059	(673,059)	-
At 31 December 2018	45,004,895	88,273,869	27,642,486	160,921,250
Profit for the year	-	-	9,534,715	9,534,715
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,534,715	9,534,715
Issue of share capital	15,000,000	-	-	15,000,000
Dividends	-	-	(1,672,125)	(1,672,125)
Revaluation of investment property, net of deferred tax	-	1,132,119	(1,132,119)	-
At 31 December 2019	60,004,895	89,405,988	34,372,957	183,783,840

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019	2018
		€	€
Cash flows from operating activities			
Operating profit		9,342,866	5,906,856
Adjustments for:			
Adjustment from the adoption of new IFRSs restrospectively		-	(44,440)
Movement in allowance of credit losses		108,519	41,479
		9,451,385	5,903,895
Working capital changes:			
Movement in inventories		894,423	-
Movement in trade and other receivables		(4,301,251)	2,943,725
Movement in trade and other payables		(322,084)	830,465
Cash flows from operations		5,722,473	9,678,085
Interest received		412,838	286,122
Interest paid		(422,012)	(293,111)
Other income received		199,281	4,513
Taxation refunded		-	14,276
Taxation paid		(407,155)	(63,351)
Net cash flows from operating activities		5,505,425	9,626,534
Cash flows from investing activities			
Acquisition of investment property		(6,993,888)	(6,667,518)
Movement in related party loans		(9,745,510)	(1,446,838)
Net cash flows from investing activities		(16,739,398)	(8,114,356)
Cash flows from financing activities			
Movement in shareholders' loan		-	(2,032,952)
Movement in related party loan		13,044,408	1,377,356
Movement in bank loan		(438,454)	(5,085,837)
Dividends paid		-	(2,025,000)
Net cash flows from financing activities		12,605,954	(7,766,433)
Movement in cash and cash equivalents		1,371,981	(6,254,255)
Reconciliation of net cash flow to movement in net funds			
Movement in cash and cash equivalents		1,371,981	(6,254,255)
Expected credit loss		(3,093)	-
Cash and cash equivalents at start of year		(745,962)	5,508,293
Cash and cash equivalents at end of year (net of expected credit loss)		622,926	(745,962)
Cash and cash equivalents			
Cash at bank		622,926	1,417
Bank balance overdrawn		-	(747,379)
	15	622,926	(745,962)

1. General information

Carmelo Stivala Group Limited is a limited liability company incorporated in Malta. The company is engaged in renting properties to related parties. It is also a holding company. Its registered office is at 143, The Strand, Gzira GZR 1026, Malta.

2. Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Maltese Companies Act (Chap. 386), and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these 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 company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

The company has availed itself of the exemption from preparing consolidated accounts, as provided by Section 174(1) of the Maltese Companies Act, 1995, as the consolidated accounts will be prepared by its parent company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 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 year, the entity has applied IFRS 16, Leases that is effective for periods that begin on or after 1 January 2019. IFRS 16 introduced 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-of-use the leased item) and a financial liability to pay rentals are recognized, with the exception of short-term and low-value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations.

The adoption of IFRS 16 has not had an impact on the financial position and financial performance of the entity.

New and revised standards that are issued but not yet effective

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The directors do not not expect that the adoption of the amended Standards will have a material impact on the financial statements of the company.

Financial assets

Financial assets are recognised when the entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derocognised 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.

Investments in associates are stated at cost less impairment losses.

Inventories

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

Cost of property consists of acquisition price plus development costs incurred. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Financial liabilities

The company's financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

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 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 period in which they are incurred.

Share capital

Ordinary shares are classified as equity.

Dividends are recognised in the period in which they are declared.

Impairment

Impairment of financial assets

Impairment calculations for financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. In applying this forward-looking approach, a distinction is made between: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (stage 1), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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.

Foreign currencies
The financial statements are presented in Euro, being both the company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position. Translation differences are dealt with through the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Revenue
Revenue represents the invoiced value of services rendered, net of taxes. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction. Revenue is recognised either at a point in time or over time, when the entity satisfies performance obligations by providing the promised services to its customers.

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 part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement 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.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

4. Events after the reporting period

Following the outbreak of the COVID 19 pandemic, the directors are monitoring the situation and taking immediate action to safeguard the interests of the company. To date the company's operations have been curtailed. Given that the company's income is highly dependent on the performance of its operating subsidiaries, it is expected that dividend income will decrease. In addition, rental income from its subsidiaries will still be charged although settlement of such rent might take longer due to cashflow reasons. On the otherhand, the directors also confirmed that no property sales were expected to take place during 2020 and thus the same expectations still apply in this scenario.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

5. Revenue

	2019 €	2018 €
Dividend income	5,701,518	5,925,517
Rent receivable	2,496,500	500
Sale of property	2,676,000	-
	10,874,018	5,926,017

6. Operating profit

	2019 €	2018 €
Operating profit is stated after charging/(crediting):		
Movement in allowance for expected losses	108,519	(2,961)
Auditors' remuneration	3,650	3,650

7. Other income

	2019	2018
	€	€
Profit on assignment of rights	76,852	-
Recharge of expenses to a related party	117,425	-
Sundry income	5,004	4,513
	199,281	4,513

8. Interest receivable and similar income

	2019	2018
	€	€
Interest recharged to related party	412,838	286,122

9. Finance costs

	2019	2018
	€	€
Interest on bank balance overdrawn	9,174	6,989
Interest on bank loan	412,838	286,122
	422,012	293,111

10. Income tax

As at year-end, temporary differences for which no deferred tax asset is recognised amounted to € 2,615,443 (2018 : € 2,506,924).

	2019	2018
	€	€
Malta Income Tax :		
Current - for the year	1,130,377	65,071
Deferred	600,746	666,717
Tax charge for the year	1,731,123	731,788

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

	2019	2018
	€	€
Profit before taxation	11,265,838	7,244,156
Tax thereon at 35%	3,943,043	2,535,455
Tax effect of permanent differences	(2,249,902)	(1,802,631)
Tax effect of unrecognised temporary differences	37,982	(1,036)
Tax charge for the year	1,731,123	731,788

11. Investment property

	Freehold land and buildings
	€
Cost	
At 1 January 2018	166,714,848
Additions	6,667,518
Revaluation	1,339,776
At 31 December 2018	174,722,142
At 1 January 2019	174,722,142
Additions	6,993,888
Transfer to inventory	(1,650,630)
Revaluation	1,732,865
At 31 December 2019	181,798,265
Carrying amount	
At 31 December 2019	181,798,265
At 31 December 2018	174,722,142
At 31 December 2017	166,714,848

The fair value of the investment property as at 31 December 2019 is based on a valuation carried out by an independent architect, on 28 August 2017, and the acquisition of property and other additions after 28 August 2017, whose cost is being considered by the directors as being equivalent to its fair value. The architect is qualified and has experience in valuation of properties.

Details of the investment property and the information about the fair value hierarchy as at 31 December 2019 are as follows:

Type of property	**Level 2**	**Level 3**	**Additions**	**Total**
	€	€	€	€
Commercial property	27,715,064	27,782,064	13,047,153	68,544,281
Offices	-	16,625,686	12,983,990	29,609,676
Residential	31,620,938	46,999,588	5,023,782	83,644,308
Total	**59,336,002**	**91,407,338**	**31,054,925**	**181,798,265**

There were no transfers between the hierarchy levels during the year.

For investment property categorised under Level 2 of the fair value hierarchy, the following techniques and inputs were used:

Type of property	**Technique**	**Inputs**
Commercial property	Market approach	The value of the property is based on the selling prices of similar commercial property.
Residential	Market approach	The value of the property is based on the selling prices of similar commercial property.

For investment property categorised under Level 3 of the fair value hierarchy, the following techniques and inputs were used:

Type of property	Technique	Inputs	Sensitivity
Commercial property	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 365,500.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Commercial property	Discounting factor method	Free cash flows arising from the projected income streams expected to be derived from the operation of the property. Weighted average cost of capital of 6.95%.	The higher the capitalisation rate, the lower the fair value. The higher the free cash flows, the higher the fair value.
Offices	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 947,700.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Residential	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 1,934,500.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Residential	Discounting factor method	Free cash flows arising from the projected income streams expected to be derived from the operation of the property. Weighted average cost of capital of 6.95%.	The higher the capitalisation rate, the lower the fair value. The higher the free cash flows, the higher the fair value.

During the year the company used the same valuation technique used in the previous year.

As at year-end, the company had investment property with a carrying amount of € 15,002,000 pledged to secure borrowings.

As at year-end, the company had preliminary agreements for contractual agreements for the acquisition of investment property amounting to € 13,782,000.

12. Non current financial assets

	Investments in subsidiaries	Investments in associates	Loan to subsidiary	Loan to associates	Loan to other related party	Total
	€	€	€	€	€	€
Cost						
At 1 January 2019	504,720	840	5,707,994	2,115,061	5,501,616	13,830,231
Additions	-	-	1,729,682	2,901,046	5,114,782	9,745,510
At 31 December 2019	504,720	840	7,437,676	5,016,107	10,616,398	23,575,741
Expected credit loss allowance						
At 1 January 2019	-	-	5,339	27,337	8,803	41,479
Movement	-	-	3,118	36,796	65,512	105,426
At 31 December 2019	-	-	8,457	64,133	74,315	146,905
Net book value						
At 31 December 2019	504,720	840	7,429,219	4,951,974	10,542,083	23,428,836
At 31 December 2018	504,720	840	5,702,655	2,087,724	5,492,813	13,788,752

Loans to subsidiaries, associates and other related parties

Loans to subsidiaries, associates and other related parties are unsecured, interest-free and have no fixed date of repayment. The entity determines the loss allowance for subsidiaries, associates and other related parties at a probability of default ranging between 0.7% to 3.3% and a loss given default ranging between 16.4% and 100%, which resulted into an expected credit loss allowance of € 146,905.

At year-end, the company held 20% or more of the share capital of the following companies:

Company	Registered address	Shares held Class	%age
Subsidiary undertaking			
ST Properties Ltd	143, The Strand, Gzira GZR 1026, Malta	Ordinary	100
ST Hotels Ltd	143, The Strand, Gzira GZR 1026, Malta	Ordinary	100
Stivala Properties Ltd.	143, The Strand, Gzira GZR 1026, Malta	Ordinary	100
Stivala Operators Limited	143, The Strand, Gzira GZR 1026, Malta	Ordinary	100
Participating interest			
Civala Limited	Vincenti Buildings, 25/25, Strait Street, Valletta VLT 1432 Malta	Ordinary	50
Quisisana Boutique Company Ltd	143, The Strand, Gzira GZR 1026, Malta	Ordinary	50
Platinum Developments Ltd	143, The Strand, Gzira GZR 1026, Malta	Ordinary	50

13. Inventories

	2019 €	2018 €
Property for resale	756,207	-

14. Trade and other receivables

		2019	2018
		€	€
Ultimate beneficial owners' current account	*Note*	3,806,463	1,417,071
Amount owed by related party	*Note*	2,468,298	2,466,860
Provision on amount owed by related party		(2,465,445)	(2,465,445)
Other receivables		462,054	1,048,333
Accrued income		2,496,000	-
Financial assets		6,767,370	2,466,819
Advance payments to suppliers		700	-
		6,768,070	2,466,819

Ultimate beneficial owners' current account
The ultimate beneficial owners' current account is unsecured, interest-free and has no fixed date of repayment.

Amount owed by related party
Amount owed by related party is unsecured, interest-free and has no fixed date of repayment.

15. Cash and cash equivalents

As at year-end, the company did not have any restrictions on its cash at bank.

The entity determines the loss allowance for bank balances at a probability of default of 0.7% and a loss given default of 84%, which resulted into an expected credit loss allowance of € 3,093.

	2019	2018
	€	€
Cash at bank	626,019	1,417
Bank balance overdrawn	-	(747,379)
Cash and cash equivalents	626,019	(745,962)
Expected credit loss	(3,093)	-
Cash and cash equivalents, net of expected credit loss	622,926	(745,962)

16. Called up issued share capital

	2019	2018
	€	€
Authorised		
4,895 Ordinary shares of €1 each	4,895	4,895
60,000,000 Redeemable Preference shares of €1 each	60,000,000	45,000,000
	60,004,895	45,004,895
Called up issued and fully paid-up		
4,895 Ordinary shares of €1 each	4,895	4,895
60,000,000 Redeemable Preference shares of €1 each	60,000,000	45,000,000
	60,004,895	45,004,895

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 shareholders have no voting rights.

17. Borrowings

		2019	2018
		€	€
Falling due within one year:			
Bank balance overdrawn		-	747,379
Bank loan	*Note*	401,942	459,830
Short-term borrowings		401,942	1,207,209
Falling due in between two and five years:			
Bank loan	*Note*	1,778,333	2,042,167
Related party loans	*Note*	3,007,429	3,290,896
		4,785,762	5,333,063
Falling due in five years or more:			
Bank loan	*Note*	6,408,874	6,525,606
Long-term borrowings		11,194,636	11,858,669
		11,596,578	13,065,878

Bank overdraft
At year-end, the company had a bank overdraft facility of €891,346. This facility is secured by a general hypothec over the company's assets, by a special hypothec over property owned by the company, by pledges taken over various insurance policies, and by personal guarantees of the director. It bears interest at 5% per annum.

Bank loan
The bank loan is secured by a general hypothec over the company's assets, by a special hypothec over properties in Gzira and Birkirkara and by personal guarantees of the ultimate beneficial owners. For the first 36 months, until March 2019, interest was payable at 3% per annum and the loan was repayable at monthly instalments of € 56,960 inclusive of interest. Thereafter, the loan bears interest at 4% per annum, and is repayable by monthly instalments of € 61,516 inclusive of interest.

Related party loans
The related party loans are unsecured, interest-free and have no fixed date of repayment.

18. Deferred taxation

Deferred tax is analysed over the following temporary differences:

	2019	2018
	€	€
Revaluation of investment property	16,486,123	15,885,377

19. Trade and other payables

	2019	2018
	€	€
Trade payables	12,859	-
Other payables	229,408	1,053,158
Accruals	497,457	8,650
	739,724	1,061,808

20. Current tax payable

	2019	2018
	€	€
The tax provision is made up of :		
Balance at beginning of year	44,817	28,821
Provision for the year	1,130,377	65,071
Settlement tax paid	(45,547)	-
Tax refunded	-	14,276
Tax paid at source	(361,608)	(63,351)
Balance at end of year	768,039	44,817

21. Capital commitments

	2019	2018
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved and contracted for	10,338,380	17,298,181

22. Contingent liabilities

The company acts as guarantor in favour of the bond issued by Stivala Group Finance plc amounting to € 60,000,000. It also acts as a guarantor in favour of a related party amounting to € 9,000,000 (2018: € 9,000,000). The company also has a contingent liability on a court case amounting to € 2,900.

23. Risk management objectives and policies

The entity 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 entity's risk management is coordinated by the directors and focuses on actively securing the entity's short to medium term cash flows by minimising the exposure to financial risks.

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

Credit risk

The entity'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 12, 14 and 15.

The company continuously monitors defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is 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.

Liquidity risk

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. 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 entity's obligations when they become due.

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of 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.

	Less than 6 months 2019 €	From 6 to 12 months 2019 €	From 1 to 5 years 2019 €	More than 5 years 2019 €	Less than 6 months 2018 €	From 6 to 12 months 2018 €	From 1 to 5 years 2018 €	More than 5 years 2018 €
Bank borrowings	369,096	369,096	2,952,768	7,147,718	355,428	369,096	2,952,768	7,592,110

Foreign currency risk

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

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

Interest rate risk

The entity'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.

24. Related parties

The company had the following related party transactions.

	2019 €	2018 €
Transactions with other related parties:		
Interest recharged to related parties	412,838	286,122
Dividend income	5,701,518	5,925,517
Rent receivable	2,496,500	500
Expenses recharged to related parties	117,425	-
Improvements on property held for resale	493,757	-

25. 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.

26. Comparatives

Certain comparatives have been restated in order to conform to the current year's presentation.

27. Capital management policies and procedures

The entity'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 entity monitors the level of debt, which includes borrowings and trade and other payables less cash and cash equivalents, against total capital on an ongoing basis.

Administrative Expenses
for the year ended 31 December 2019

	2019	2018
	€	€
Administrative expenses		
Ground rent payable	5,014	-
Licences and permits	1,200	1,200
Printing, postage and stationery	173	235
Legal and professional	25,072	10,317
Audit	3,650	3,650
Over-accrual of audit fee in previous year	(4,950)	-
Bank charges	47,826	5,175
Movement in allowance for expected losses	108,519	(2,961)
Related party balance written off	1,561	-
Penalties and fines	-	1,545
	188,065	19,161

This page does not form part of the statutory financial statements.