

GASAN FINANCE COMPANY p.l.c.

Annual Report and Financial Statements
31 December 2016

	Pages
Directors' report	1 - 3
Corporate governance – Statement of compliance	4 - 5
Independent auditor's report	6 - 13
Statement of financial position	14
Statement of comprehensive income	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18 - 36

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal activity

The Company's principal activity is to hold immovable properties, raise financing from capital markets and to finance the Gasan Group's operations and its capital projects.

Review of the business

Performance

Revenue during the financial year amounted to €3,453,593 (2015: €3,856,927). This was generated from interest receivable on bills of exchange, interest charged to group companies on outstanding balances and rental income. Interest expense amounted to €1,251,938 (2015: €1,379,523). Administrative expenses amounted to €327,897 (2015: €356,724).

The profit for the year before taxation amounted to €1,873,758 (2015: €2,120,680). After deducting taxation, profit for the year amounted to €1,331,805 (2015: €2,173,895).

In 2015, the lower tax charge for the year was due to a reduction in deferred tax liability as a result of a change in tax rates applicable on the sale of immovable property as announced in the *Budget* issued by the Minister of Finance, and enacted on 30 April 2015 (see note 9).

Financial position

As at 31st December 2016, the Company's total asset base amounted to €56,346,165, a decrease of €3,286,566 from the previous year. This decrease was mainly related to trade and other receivables which decreased from €26,232,731 to €22,874,241 due to amounts advanced by the parent company during the year for funding activities. The decrease in non-current borrowings from €28,527,480 to €24,757,940 arose as a result of the repayment in full of the bank loan.

Total equity increased by €1,331,805 to €27,915,313, reflecting the retained profit for the year.

Risk assessment

The Company is exposed to risks inherent to the business environment in which it operates. These risks can be summarised into 3 categories:

(i) Strategic risk

This risk is determined by board decisions relating to the activities and direction of the Company. These are the holding of immovable properties and the provision of financing requirements for the Gasan Group's operations. The directors believe that the strategic risk of the Company is being effectively controlled through the selection of properties for investment and the financial strength of the Gasan Group of Companies.

Directors' report - continued

Review of the business - continued

(ii) Operational risk

The Company's operational risk is inherent to the environment in which it operates. The main operational risks that the Company is currently exposed to are:

- The current commercial rental market prevalent in Malta, which in the opinion of the directors allows the Company to obtain rental rates that yield 5% on the carrying values of the properties;
- The location of its immovable property, with both properties currently experiencing a regeneration in the immediate vicinity due to projects being undertaken that are likely to have a positive knock-on effect on the respective property values in the medium to long term;
- The extent of the lease terms currently in place, which the directors deem to be adequate and which are summarised in note 19 to the financial statements.

Hence the directors consider that the current operational risk of the Company to be relatively low.

(iii) Financial risk

The Company's activities potentially expose it to a variety of financial risks, namely market risk (including cash flow interest rate risk), credit risk and liquidity risk. A detailed analysis of the Company's financial risk is disclosed in note 2 to the financial statements.

Results and dividends

The statement of comprehensive income is set out on page 15. The directors do not propose the payment of a dividend (2015: €nil).

Directors

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

Joseph A. Gasan
Michael Soler
Mark Gasan
Roderick E. D. Chalmers
Anthony R. Curmi
Ian Sultana (appointed 31 December 2016)
Juan de Battista (resigned 31 December 2016)

The Company's Articles of Association do not require any director to retire.

On 23 February 2017, Etienne Borg Cardona was appointed to the board of directors.

Statement of directors' responsibilities for the financial statements

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386).

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Gasan Finance Company p.l.c. for the year ended 31 December 2016 are included in the Annual Report 2016, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

Going concern statement pursuant to Listing Rule 5.62

The directors are satisfied that, having taken into account the strength of the Company's statement of financial position and the level of profitability, it is reasonable to assume that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

On behalf of the board



Joseph A. Gasan
Director

Registered Office
Gasan Centre
Mriehel By-Pass
Mriehel

27 April 2017



Mark Gasan
Director

Company Secretary:
Ian Sultana

Telephone number:
27788500

Corporate governance – Statement of compliance

Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Gasan Finance Company p.l.c. (the “Company”) hereby reports on how it has complied with the “Code of Principles of Good Corporate Governance” (the “Code”) appended to Chapter 5 of the Listing Rules.

It is relevant to note in this context that the Company has issued bonds to the public and accordingly the Company’s rules of governance reflect the Company’s size and the type of transactions involved. The Company does not have any direct employees, with required services being provided by others within the Gasan Group of Companies. Consequently, some of the measures referred to in the Principles are not applicable, whilst others are only applicable to a limited extent.

Board of directors

The Company’s Memorandum and Articles of Association provide that the board of directors shall consist of not less than four and not more than seven directors. All the directors are appointed by the holders of the ordinary shares by a simple majority and at least one of the directors so appointed should be a person unconnected with the Gasan Group of Companies. As at the date of this Statement the members of the board, two of whom (Anthony R. Curmi and Etienne Borg Cardona) are unconnected with the Gasan Group of Companies, are as follows:

Joseph A. Gasan	Chairman
Mark Gasan	Executive director
Ian Sultana	Managing director
Michael Soler	Non-executive director
Anthony R. Curmi	Non-executive director
Roderick E.D. Chalmers	Non-executive director
Etienne Borg Cardona	Non-executive director

Meetings of the board are held as frequently as considered necessary. The board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. During the financial year two board meetings were held.

The board is responsible for the Company’s strategy and decisions with respect to the issue and redemption of its bonds and for monitoring that its operations are in conformity with its Prospectus and all relevant laws and regulations. The board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

The board has delegated authority and accountability for the Company’s day-to-day operations to its board of directors. Both the Managing Director and Financial Controller are employees of a member company of the Gasan Group of Companies.

Internal control

Gasan Finance Company p.l.c. is a fully owned subsidiary of Gasan Group Limited. In previous years, the latter company had established an Audit Committee that extended its function to include Gasan Finance Company p.l.c. Inter alia, the Committee had been requested to regularly monitor that the Company’s internal controls are appropriate and effective. The board of Gasan Group Limited, which includes non-shareholders and non-executive members, reviews the ongoing operations and financial results of the Company on a monthly basis.

Corporate governance – Statement of compliance - continued

During 2016, amendments to the Malta Financial Services Authority Listing Rules were implemented which included, amongst other changes, new requirements for the composition and function of the Audit Committee of public interest entities (PIE). Since the Company is a PIE in view of the listing of its 4.9% 2019/2021 Bonds on the Malta Stock Exchange, the board of directors decided that the Audit Committee of Gasan Group Limited should no longer act as the Audit Committee for the Company.

Accordingly, the Company's board appointed a new Audit Committee on 24 February 2017, composed of the following non-executive directors:

Roderick E.D. Chalmers (Chairman)
Michael Soler
Etienne Borg Cardona

Roderick Chalmers and Etienne Borg Cardona are independent, non-executive directors and are free from any business, family or other relationship with the Company, its controlling shareholder or its management of either that would create a conflict of interest such as to impair their judgement. Both are professional qualified accountants with competence in matters relating to accounting and auditing. The Audit Committee as a whole has extensive experience in matters relating to the Company's area of operations, and therefore has the relevant competence required under Listing Rule 5.118.

Remuneration committee

One of the Company's directors, namely Anthony R. Curmi, receives a remuneration which is determined at the Company's Annual General Meeting and currently stands at €2,400 per annum. The members of the board and senior executives are not entitled to share options, profit sharing, termination payments or other payments linked to early termination.

During the period under review, the functions of the Remuneration Committee were carried out by the board of directors in view of the fact that the remuneration of directors is not performance related.


Relations with bondholders and the market

The Company publishes extracts from its financial statements and when felt necessary holds information meetings at which it advises its bondholders and financial intermediaries of its current and planned activities. The board feels that it is providing the market with adequate information about its activities through these channels.

The board has established a policy to ensure that proper procedures are followed by the directors and officers of the Company with respect to dealings in its bonds. The purchases or sales made by these individuals are regularly monitored to ensure that these procedures are complied with in accordance with the Listing Rules.

The board considers that the Company has been in compliance with the Principles throughout the year.

Approved by the board on 27 April 2017 and signed on its behalf by:


Joseph A. Gasan
Director


Mark Gasan
Director



Independent auditor's report

To the Shareholders of Gasan Finance Company p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Gasan Finance Company p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2016, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Gasan Finance Company p.l.c.'s financial statements, set out on pages 14 to 36, comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

Our audit approach

Overview



Overall materiality: €95,000, which represents 5% of profit before tax.

Valuation of investment properties

Recoverability of group balances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

Overall materiality	€95,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €5,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter	How our audit addressed the Key audit matter
-------------------------	---

Valuation of investment properties

The company's investment properties were valued at the year-end at €33.5m and comprise commercial properties held for rent.

Valuations are performed annually by the directors on the basis of valuation reports prepared by independent and qualified valuers and taking into account developments during the current year.

As explained in Note 4 to the financial statements, the most significant judgements and estimates affecting the valuations include projected increases in rental streams and capitalisation rates. The valuations also take into account the terms and conditions of current lease agreements.

We agreed the property information in the valuation to the underlying property records held by the company. We tested the data inputs, including the rental income by agreeing them to supporting rental agreements and documentation.

We understood the methodology, tested the accuracy of the workings within the valuation model, and challenged the assumptions to ensure that they apply for the year under review.

The valuation considers the rental agreements in hand as well as possible future rents that are comparable to market rents. The directors have also taken into consideration future developments in the respective locations that will impact the rental streams in the immediate future.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

Key audit matter

How our audit addressed the Key audit matter

The existence of significant estimates referred to previously could result in material misstatement, which is why we have given specific focus and attention to this area.

In relation to these assets, we found that capitalisation rates were predominately consistent with comparable information for property in the area. Where assumptions did not fall within our expected range, we assessed whether additional evidence presented in arriving at the final valuations was appropriate and, whether they were robustly challenged.

We held meetings with the directors on the year-end valuations and found that they were able to provide explanations and refer to appropriate supporting evidence.

Recoverability of group balances

Trade and other receivables include advanced funds to group companies of which loans have been granted at agreed rates of interest of 7%.

Loan balances due to the company as at 31 December 2016 amounted to €21.9m.

As explained in Note 1.6.3, the recoverability of the balances are assessed each year in order to ensure that the amounts are recoverable.

The balances are considered material, which is why we have given additional attention to this area.

We have agreed the terms surrounding the loans to supporting loan agreements.

We have assessed the financial strength of the group with reference to management accounts for the current year and prospective information. On the basis of evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the directors' report.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

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

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

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company 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 that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of 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 throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

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 included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 4 to 5 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.



Independent auditor's report - continued

To the Shareholders of Gasan Finance Company p.l.c.

Other matters on which we are required to report by exception


We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
 - We have not received all the information and explanations we require for our audit.
 - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta



David Valenzia
Partner


27 April 2017

Statement of financial position

	Notes	As at 31 December	
		2016 €	2015 €
ASSETS			
Non-current assets			
Investment property	4	33,471,924	33,400,000
Total non-current assets		33,471,924	33,400,000
Current assets			
Trade and other receivables	5	22,874,241	26,232,731
Total current assets		22,874,241	26,232,731
Total assets		56,346,165	59,632,731
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	3,500,000	3,500,000
Other reserve	8	14,617,595	14,610,403
Retained earnings		9,797,718	8,473,105
Total equity		27,915,313	26,583,508
Non-current liabilities			
Deferred tax liabilities	9	3,089,035	3,110,050
Borrowings	10	24,757,940	28,527,480
Total non-current liabilities		27,846,975	31,637,530
Current liabilities			
Trade and other payables	11	534,763	421,993
Current tax liabilities		49,114	221,000
Borrowings	10	-	768,700
Total current liabilities		583,877	1,411,693
Total liabilities		28,430,852	33,049,223
Total equity and liabilities		56,346,165	59,632,731

The notes on pages 18 to 36 are an integral part of these financial statements.

The financial statements on pages 14 to 36 were authorised for issue by the Board on 27 April 2017 and were signed on its behalf by:


Joseph A. Gasan
Director


Mark Gasan
Director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2016 €	2015 €
Revenue	12	3,453,593	3,856,927
Interest payable	13	(1,251,938)	(1,379,523)
Gross profit		2,201,655	2,477,404
Administrative expenses	14	(327,897)	(356,724)
Profit before tax		1,873,758	2,120,680
Tax (expense)/credit	15	(541,953)	53,215
Profit for the year – total comprehensive income		1,331,805	2,173,895
Earnings per share	17	0.95	1.55

The notes on pages 18 to 36 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Other reserve €	Retained earnings €	Total equity €
Balance as at 1 January 2015		3,500,000	13,942,403	6,967,210	24,409,613
Comprehensive income					
Profit for the year		-	-	2,173,895	2,173,895
Other comprehensive income					
Investment property - impact of changes to deferred tax rates	8	-	668,000	(668,000)	-
Total comprehensive income		-	668,000	1,505,895	2,173,895
Balance at 31 December 2015		3,500,000	14,610,403	8,473,105	26,583,508
Balance as at 1 January 2016		3,500,000	14,610,403	8,473,105	26,583,508
Comprehensive income					
Profit for the year		-	-	1,331,805	1,331,805
Other comprehensive income					
Investment property - deferred tax movement for the year	8	-	7,192	(7,192)	-
Total comprehensive income		-	7,192	1,324,613	1,331,805
Balance at 31 December 2016		3,500,000	14,617,595	9,797,718	27,915,313

The notes on pages 18 to 36 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2016 €	2015 €
Cash flows from operating activities			
Cash generated from operations	18	6,688,665	3,156,357
Interest paid		(1,263,055)	(1,428,302)
Tax paid		(734,854)	(959,355)
Net cash generated from operating activities		4,690,756	768,700
Cash flows from investing activities			
Additions of investment property		(71,924)	-
Net cash used in investing activities		(71,924)	-
Cash flows from financing activities			
Redemption of bond	10	(7,000)	-
Repayment of bank loan	10	(4,611,832)	(768,700)
Net cash used in financing activities		(4,618,832)	(768,700)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	6	-	-

The notes on pages 18 to 36 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, except as modified by the fair valuation of investment property.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Company's accounting periods beginning after 1 January 2016. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. The Company is considering the implications of the standard and its impact on the Company's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phase of IFRS 9 when completed.

1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors that makes strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the operations and capital projects of the Company and the Gasan Group. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from other companies forming part of the Gasan Group.

1. Summary of significant accounting policies- continued

1.3 Foreign currency translation

Functional and presentation currency

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

1.4 Investment property

Investment property, comprising commercial premises including offices, shops and showrooms, is held for long term rental yields or for capital appreciation or both and which is not occupied by the Company is classified as investment property. Investment property comprises land and building and is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values are recorded in the profit or loss for the year and then transferred to "Other reserve" through the statement of changes in equity.

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Financial assets

1.6.1 Classification

The Company classifies its financial assets (other than investments in associates and in subsidiaries) in the following categories: available-for-sale, fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.1 Classification - continued

(a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

(b) Financial assets at fair value through profit or loss

Management determines the appropriate classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is designated in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase and sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. The fair values of quoted investments are based on current bid prices.

The Company assesses at each reporting date whether there is objective evidence that a financial assets or a group of financial assets is impaired (note 1.6.3).

On disposal, the difference between the net disposal proceeds and the carrying amount is included in the net profit or loss for the period.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit or loss within 'investment income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of investment income when the Company's right to receive payments is established.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. The Company's loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position (notes 1.8 and 1.9).

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have been expired or have been transferred and the Company has transferred substantially all risks and rewards

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. The other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'investment and other related income'.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1. Summary of significant accounting policies - continued

1.6 Financial assets – continued

1.6.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

1.7 Bills of exchange

Bills of exchange are acquired at an amount based on the discounted face value.

1.8 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss for the year within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the statement of comprehensive income.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1. Summary of significant accounting policies - continued

1.10 Share capital

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

1.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. These costs include underwriting, legal and professional fees, stockbrokers' commission and advertising costs. Borrowings are subsequently carried at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.13 Offsetting financial instruments

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

1.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss for the year, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax - continued

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

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

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

1.16 Borrowing costs

Interest costs on borrowing to finance the construction of investment property are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

1.17 Revenue recognition

Revenue is recognised as it accrues, unless collectability is in doubt, and is shown net of sales taxes.

1.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which they are declared.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years.

The board of directors provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

As at the reporting date, the Company has fixed rate interest-bearing assets comprising bills of exchange and amounts owed by the intermediate parent company and fellow subsidiaries. It also has borrowings issued at fixed rates consisting of bonds issued to the public which are carried at amortised cost (refer to note 10). Accordingly, its revenue and operating cash flows are substantially independent of changes in market interest rates. These instruments expose the Company to fair value interest rate risk. However, as these instruments are measured at amortised cost any changes in fair value as a result of changes in market interest rates will have no impact on profit or loss and other comprehensive income.

The Company's interest rate risk arises from current bank borrowings. Bank loans (refer to note 10), expose the Company to cash flow interest rate risk. The board monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

(b) Credit risk

Credit risk arises from credit exposures to customers and amounts receivable from group companies (note 5).

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in note 5. The Company does not hold any collateral as security in this respect.

Credit risk with respect to trade receivables is limited since the bills of exchange are subject to a full right of recourse. Other significant debts are owed by the intermediate parent company or fellow subsidiary. These debts are regularly monitored at group level and all amounts are deemed recoverable.

With respect to amounts receivable arising from rental income, the Company assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Company has no significant concentration of credit risk arising from third parties.

As of 31 December 2016, no trade receivables were impaired.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to notes 10 and 11). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the bank loan and bonds are due for repayment.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	On demand €	Due within one year €	Between 2 and 5 years €	Over 5 years €
31 December 2016						
Trade and other payables	534,762	534,762	534,762	-	-	-
Bond	24,757,940	28,666,971	-	1,224,657	27,442,314	-
Total	25,292,702	29,201,733	534,762	1,224,657	27,442,314	-

	Carrying amount €	Contractual cash flows €	On demand €	Due within one year €	Between 2 and 5 years €	Over 5 years €
31 December 2015						
Trade and other payables	421,993	421,993	421,993	-	-	-
Bond	24,684,348	29,900,000	-	1,225,000	28,675,000	-
Bank loan	4,611,832	5,085,488	-	905,850	3,390,499	789,139
Total	29,718,173	35,407,481	421,993	2,130,850	32,065,499	789,139

2.2 Fair values of financial instruments

At 31 December 2016 and 2015 the carrying amounts of trade receivables, trade payables and accrued expenses approximated their fair values due to the short term maturities of these assets and liabilities. The carrying value of non-current receivables also approximates the fair value in view of limited movements in market interest rates between the date of the issue of these instruments and the reporting date. The fair value of non-current borrowings is disclosed in note 10.

2.3 Capital risk management

The Company considers its capital to comprise equity as stated in the Statement of Financial Position. The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the bonds.

2. Financial risk management - continued

2.3 Capital risk management - continued

The Company is committed to hold assets, to the amount of at least 105% of the aggregate principal amount of the bonds still outstanding and bank borrowings. The Company was compliant with this requirement throughout the year.

3. Critical accounting estimates and judgments

Estimates and judgments 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 judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Investment property

	Land and buildings	
	2016	2015
	€	€
Year ended 31 December		
At beginning of year	33,400,000	33,400,000
Additions	71,924	-
At end of year	33,471,924	33,400,000
At 31 December		
Cost	15,802,734	15,730,810
Fair value gains	17,669,190	17,669,190
Net book amount	33,471,924	33,400,000

The Company's investment property consists of the Gasan Centre and the Piazzetta properties.

Fair value of investment property

An independent valuation of the Company's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2016 and 2015. The revaluation surplus net of applicable deferred income taxes was credited to profit for the year and was subsequently transferred to 'other reserves' in shareholders' equity (note 8). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

4. Investment property - continued

Fair value of investment property - continued

All the Company's immovable property, comprising mainly office buildings, have been determined to fall within level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between levels 1 and 2 during the year.

For all properties, their current use equates to the highest and best use.

Fair value measurements using significant unobservable inputs (Level 3)

	Commercial rents	
	2016	2015
	€	€
Year ended 31 December		
At beginning of year	33,400,000	33,400,000
Additions	71,924	-
At end of year	33,471,924	33,400,000

Valuation processes

The valuations of the properties are performed annually by the directors on the basis of valuation reports prepared by independent and qualified valuers. These reports are based on both:

- information provided by the Company such as current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc. This information is derived from the Company's financial and property management systems and is subject to the Company's overall control environment; and
- assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the executive directors. This includes a review of fair value movements over the period.

When the executive directors consider that the valuation report is appropriate, the valuation report is recommended to the board. The board considers the valuation report as part of its overall responsibilities.

As at 31 December 2016, the fair values of the land and buildings have been determined by the directors on the basis of valuation reports prepared by independent and qualified valuers.

4. Investment property - continued

Fair value of investment property - continued

Valuation techniques

For level 3 office buildings and airspace with a total carrying amount of €33,471,924 (2015: €33,400,000), the valuation was determined using rental income streams based on significant unobservable inputs. These inputs include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date.

Information about fair value measurements using significant unobservable inputs (level 3)

Description	Fair value at 31 December €	Valuation technique	Range of significant unobservable inputs		
			Rental value €	Growth rate %	Capitalisation rates %
Office buildings	€33,471,924	Future rental cash flows	€61 to €126 per square metre	1% to 4%	3% to 5.8%

For each valuation for which rental value, growth rate and the capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and growth rate, the higher the fair value. Conversely, the lower the rates, the higher the fair value.

If the investment property was stated on the historical cost basis the amounts would be as follows:

	2016 €	2015 €
Cost	15,802,734	15,730,810
Accumulated depreciation	(2,887,889)	(2,798,848)
Net book amount	12,914,845	12,931,962

5. Trade and other receivables

	2016	2015
	€	€
Amounts owed from immediate parent company	756,953	677,710
Amounts owed from intermediate parent company	89,683	220,247
Amounts owed from fellow subsidiary	2,478	2,332
Loan to immediate parent company	20,588,128	19,059,589
Loan to intermediate parent company	1,349,865	6,205,597
Trade receivables	56,903	37,794
Indirect taxation	30,231	29,462
	22,874,241	26,232,731

During 2015, the Company received payment for third party bills of exchange, which had been previously acquired from the immediate parent company with full right of recourse and 'without protest'. During 2015, interest at 8% per annum was earned on bills of exchange acquired.

The loan to intermediate parent company and immediate parent company is unsecured, bears interest at 7% (2015: 7%) per annum and is repayable on demand.

Amounts owed from immediate parent company, intermediate parent company and fellow subsidiary are unsecured, interest free and repayable on demand.

6. Cash and cash equivalents

Although the Company enters into cash transactions in the normal course of its operations as disclosed in the statement of cash flows, no cash or cash equivalents were held as at 31 December 2016 and 2015.

7. Share capital

	2016	2015
	€	€
Authorised, issued and fully paid		
1,400,000 ordinary shares of €2.50 each	3,500,000	3,500,000
	3,500,000	3,500,000

8. Other reserve

	2016 €	2015 €
Investment property fair value reserve		
Year ended 31 December		
At beginning of year	14,610,403	13,942,403
Deferred tax liability due to change in the tax rate applied to the fair value of investment property (note 9)	-	668,000
Charge to profit or loss	7,192	-
At end of year	14,617,595	14,610,403

The balance as at 31 December represents the difference between the fair value of the investment property, net of deferred tax and the historical cost. Such amount has been transferred from retained earnings to other reserve and in the opinion of the directors is non-distributable.

9. Deferred tax liabilities

	2016 €	2015 €
Year ended 31 December		
At beginning of year	3,110,050	3,806,257
Charge to profit for the year (note 15)	(21,015)	(696,207)
At end of year	3,089,035	3,110,050

Deferred taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2015: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% of the carrying amounts (2015: 10%). The deferred tax liabilities are mainly considered to be of a non-current nature.

Deferred tax liability on investment property is net of €340,429 (2015: €340,429) in respect of property purchased from the parent company during 2003. In terms of an agreement with the parent, if the property is disposed by the Company, the capital gains tax liability attributable to the amount at which the property was sold to the Company is to be borne by the parent company.

The balance at 31 December represents:

	2016 €	2015 €
Temporary differences on investment property	3,006,763	2,999,571
Temporary differences on bond issue costs	82,272	110,479
	3,089,035	3,110,050

9. Deferred tax liabilities - continued

Following changes to the taxation rules on capital gains arising on transfer of immovable property as announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An Act to implement Budget measures for the financial year 2015 and other administrative measures' came into effect on 30 April 2015, the final tax on transfers of immovable property acquired after 1 January 2004 was reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 was reduced to 10%. In 2015, the net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the Company's property was a decrease amounting to €668,000, which was recognised in other comprehensive income.

10. Borrowings

	2016 €	2015 €
Non-current		
Bonds (note a)	24,757,940	24,684,348
Bank loan (note b)	-	3,843,132
Total non-current borrowings	24,757,940	28,527,480
Current		
Bank loan (note b)	-	768,700
Total current borrowings	-	768,700

(a) The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs, as follows:

	2016 €	2015 €
Proceeds		
24,993,000 (2015: 25,000,000) 4.9% bonds 2019/2021	24,993,000	25,000,000
Issue costs	483,552	483,552
Accumulated amortisation	(248,492)	(167,900)
	235,060	315,652
Amortised cost and closing carrying amount of the bonds	24,757,940	24,684,348

During the year, the Company re-purchased and subsequently cancelled €7,000 of the outstanding bonds (2015: nil).

The quoted market price as at 31 December 2016 for the 4.9% bonds 2019/2021 was €104.75 (2015: €107.99).

(b) During 2016, the bank loan was repaid in full. The bank loan was secured by guarantees from the controlling parent company and was subject to a floating interest rate equivalent to 3%.

11. Trade and other payables

	2016 €	2015 €
Current		
Capital and other payables	215,046	126,306
Interest payable	86,206	97,323
Accruals and deferred income	200,577	198,364
Amounts due to fellow subsidiaries	32,934	-
	534,763	421,993

Amounts due to fellow subsidiaries and to the intermediate parent company are unsecured, interest free and repayable on demand.

12. Revenue

	2016 €	2015 €
Rental income from investment property	1,676,499	1,714,603
Bills interest income	-	147,918
Interest income	1,774,488	1,897,239
Other income	2,606	97,167
	3,453,593	3,856,927

Details of revenue derived from related parties is disclosed in note 20.

13. Interest expense

	2016 €	2015 €
Interest expense on bonds	1,224,908	1,225,000
Interest expense on bank loan	27,030	154,523
	1,251,938	1,379,523

14. Expenses by nature

	2016 €	2015 €
Amortisation of bonds issue costs	80,592	80,592
Administration and other charges	216,184	218,557
Investment property expenses	17,905	43,929
Professional fees	13,216	13,646
	327,897	356,724

14. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2016 and 2015 relate to the following:

	2016 €	2015 €
Annual statutory audit	5,700	5,500
Tax advisory and compliance services	1,190	850
	6,890	6,350

15. Tax (expense)/credit

	2016 €	2015 €
Current tax expense	562,968	642,992
Deferred tax credit (note 9)	(21,015)	(696,207)
	541,953	(53,215)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2016 €	2015 €
Profit before tax	1,873,758	2,120,680
Tax at 35%	655,815	742,238
Tax effect of:		
Expenses not deductible for tax purposes	11,797	21,235
Maintenance allowance claimed on rented property	(103,740)	(119,949)
Temporary differences re effect of change in taxation of investment property	7,192	(668,000)
Income subject to tax at reduced rates	(42,060)	(28,739)
Under provision in prior years	12,949	-
Tax expense/(credit)	541,953	(53,215)

16. Director's emoluments

	2016 €	2015 €
Fees	2,400	2,400

17. Earnings per share

Earnings per share is based on the profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company (€)	1,331,805	2,173,895
Weighted average number of ordinary shares in issue	1,400,000	1,400,000
Earnings per share (€)	0.95	1.55

18. Cash generated from operations

	2016 €	2015 €
Profit before tax	1,873,758	2,120,680
Adjustments for:		
Amortisation of bond issue costs	80,592	80,592
Interest expense	1,251,938	1,379,523
Changes in working capital:		
Advances (from)/to group companies	3,411,302	(1,800,171)
Trade and other receivables	(19,878)	1,353,491
Trade and other payables	90,953	22,242
Cash generated from operations	6,688,665	3,156,357

19. Capital commitments

Operating lease commitments – where the Company is the lessor

The future minimum rent receivable is as follows:

	2016 €	2015 €
No later than 1 year	1,649,826	1,640,630
Later than 1 year and no later than 5 years	6,767,124	6,774,883
Later than 5 years	-	2,144,853
	8,416,950	10,560,366

The above includes rent charged to Gasan Properties Limited. In accordance with an agreement which took effect in 2013 and which runs for a period of eight years, the Company is charging Gasan Properties Limited an annual rent with regular increments until 2021. The lessee is obliged to acquire the property during the period of the lease, if requested by the lessor, at the market value based on architect's valuation.

20. Related party transactions

The companies forming part of the Gasan Group are considered by the directors to be related parties as these companies are ultimately owned by J.A.G. Limited.

Transactions in respect of bills of exchange are carried out with Gasan Enterprises Limited.

The following transactions were also carried out with related parties:

	2016 €	2015 €
Revenue – parent companies		
Hire purchase bills interest income	-	147,918
Interest income on loans	1,774,488	1,897,239
Expenses – parent company		
Administration fee	150,000	150,000
Revenue – fellow subsidiary		
Rent income	1,482,000	1,460,000
Expenses – fellow subsidiaries		
Administration and management fees	28,000	28,000
Insurance and other expenses	10,908	11,452
Property related expenses	3,913	31,479

Year end balances owed by/to related parties are disclosed in notes 5 and 11 to these financial statements.

Key management personnel compensation, consisting of directors' emoluments has been disclosed in note 16.

21. Statutory information

Gasan Finance Company p.l.c. is a limited liability company and is incorporated in Malta.

The immediate parent company of Gasan Finance Company p.l.c. is Gasan Enterprises Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel. Gasan Enterprises Limited is exempt from the preparation of consolidated financial statements by virtue of section 174 of the Maltese Companies Act (Cap. 386).

Gasan Group Limited is the intermediate parent company and undertaking that draws up the consolidated financial statements of the smallest body of undertakings of which Gasan Finance Company p.l.c. forms part as a subsidiary company. The registered address of Gasan Group Limited is Gasan Centre, Mriehel By-Pass, Mriehel.

The ultimate parent company of Gasan Finance Company p.l.c. is J.A.G. Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel. The ultimate controlling party of Gasan Finance Company p.l.c. and of J.A.G. Limited is Mr. J. A. Gasan. The financial statements of Gasan Finance Company p.l.c. are included in the consolidated financial statements prepared by J.A.G. Limited.