

Registration Number C 82218

Stivala Group Finance p.l.c.

Annual Report and Consolidated
Financial Statements

For the year ended 31 December 2019

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Stivala Group Finance p.l.c.

Directors, Officer and Other Information

Directors: Mr Michael Stivala
Mr Ivan Stivala
Mr Martin John Stivala
Dr Ann Marie Agius
Mr Joseph Brincat
Mr Francis Gouder
Mr Carlo Stivala (resigned on 27 January 2020)

Secretary: Mr Rudi Xuereb

Registered office: 143
The Strand
Gzira GZR 1026
Malta

Country of incorporation: Malta

Company registration number: C 82218

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

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

Stivala Group Finance p.l.c.

Directors' Report

Principal activities

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

Performance review

The company's revenue amounting to €2,572,500 (2018: €2,825,247) is derived from dividends receivable from its subsidiary. The major cost of the company is the bond interest payable amounting to €2,049,000 (2018: €2,250,000). The company registered a profit after taxation of €757,640 (2018: €416,567) and as at year-end its total equity amounted to €1,474,207 (2018: €716,567).

The group's revenue for the year amounts to €23,484,074 (2018: €19,655,398). The main revenue streams of the group are from hospitality and rental income. After deducting the main expenses being the cost of sales related to hospitality, staff costs, depreciation and amortisation, the group registered an operating profit of €10,505,896 (2018: €7,769,072). The group's profit for the year is €6,102,761 (2018: €115,562,390) and as at year-end the group's total equity amounted to €123,106,813 (2018: €115,826,550).

The directors expect that the group's trading activity will continue to improve in the foreseeable future. The directors consider the company to be a going concern. All the directors are responsible for this statement.

Financial

Financial Key Performance Indicators

	Group 2019 (12 months) €	Group 2018 (16 months) €	Company 2019 (12 months) €	Company 2018 (16 months) €
Revenue	23,484,074	19,655,398	2,572,500	2,825,247
Operating profit	10,505,896	7,769,072	2,496,612	2,666,567
Net profit after tax excluding gain on bargain purchase	6,102,761	2,676,373	757,640	416,567
Earnings per share excluding gain on bargain purchase	24.27	8.92	2.53	1.39
Total equity	123,106,813	115,826,550	1,474,207	716,567

Stivala Group Finance p.l.c.

Directors' Report

Principal risks and uncertainties

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

1. Strategy Risks

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

2. Operational Risks

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

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

3. Legislative Risks

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

Financial risk management and exposures

Note 30 to the financial statements provides a detailed analysis of the financial risk to which the group and the company are exposed.

Dividend and reserves

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

Stivala Group Finance p.l.c.

Directors' Report

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. The directors have taken the following decisions and are implementing these measures:

- applied for wage support with the government (Malta Enterprise);
- applied for a new loan to be guaranteed by government;
- halted all new capital projects;
- applied for moratorium with banks for the coming 12 months;
- reviewed all costs including operational costs and payroll;
- are in discussions with suppliers to extend the payments terms;
- are looking for opportunities to sell some properties; and
- are in discussions to extend the term of the existing promise of sale agreements to purchase property.

The revenue (dividend income) of the company is expected to be affected as it depends on the operations of the group. At a group level the operations of the main operating companies have curtailed. ST Hotels Limited had to close its hotels and revenue being registered from units which are being partly operated is minimal. Rental income receivable by ST Hotels Limited will experience the same decrease as that expected for ST Properties Limited.

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

The directors, who served throughout the period, were:

Mr Michael Stivala
Mr Ivan Stivala
Mr Martin John Stivala
Dr Ann Marie Agius
Mr Joseph Brincat
Mr Francis Gouder
Mr Carlo Stivala (resigned on 27 January 2020)

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

Stivala Group Finance p.l.c.

Directors' Report

Auditors

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

Approved by the board of directors and signed on its behalf on 21st April 2020 by:



Mr Michael Stivala
Director



Mr Ivan Stivala
Director

Stivala Group Finance p.l.c.

Statement of Directors' Responsibilities

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

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

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

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

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

The Company acts as a finance company to the Stivala Group of Companies and as such has minimal operations emanating from this task. Its primary function is the lending and monitoring of the proceeds of the Bonds issued to the public in 2017 and 2019 by the Company and guaranteed by the subsidiary company; Carmelo Stivala Group Limited.

Compliance

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

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

Board of Directors

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

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

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

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

Audit Committee

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

Dealings by Directors and Senior Officers

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

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

Internal Control

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

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

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

Risk Identification

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

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

Stivala Group Finance p.l.c.

Corporate Governance – Statement of Compliance

Directors' Fees

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

	€
Dr Ann Marie Agius	6,000 *
Mr Joseph Brincat	6,000 *
Mr Francis Gouder	6,000 *

*includes the audit committee fee

Commitment to Maintain an Informed Market

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

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

Annual general meeting

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

Approved by the Board of Directors on 21st April 2020 and signed on its behalf by:



Mr Michael Stivala
Director



Mr Ivan Stivala
Director

Stivala Group Finance p.l.c.

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

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

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

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

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

In our opinion, the Statement of Compliance set out on pages 7 to 9 has been properly prepared in accordance with the requirements of the Listing Rules.



Mr Darren Bugeja

For and on behalf of
Nexia BT
Certified Public Accountants

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

Date: 23rd April 2020

Stivala Group Finance p.l.c.

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

Opinion

We have audited the accompanying financial statements of Stivala Group Finance p.l.c. and the group, which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 Stivala Group Finance p.l.c. 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.

Basis for Opinion

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

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

Key Audit Matters

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

Stivala Group Finance p.l.c.

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

1. Investment property

Key audit matter

The valuation of the investment property is inherently subjective.

How the key audit matter was addressed in our audit

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

2. Property, plant and equipment

Key audit matter

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

How the key audit matter was addressed in our audit

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

3. Debt securities in issue

Key audit matter

The company has bonds in issue and this is the largest liability category of the company.

How the key audit matter was addressed in our audit

The documentation related to the bonds in issue were vouched and the related workings were checked and confirmed.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the Corporate Governance - Statement of Compliance. Our opinion on the financial statements does not cover the other information.

Stivala Group Finance p.l.c.

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

Other information (continued)

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

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

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

Responsibilities of the directors

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Stivala Group Finance p.l.c.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Stivala Group Finance p.l.c.

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

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

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.

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



Mr Darren Bugeja

For and on behalf of
Nexia BT
Certified Public Accountants

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

Date: 23rd April 2020

Stivala Group Finance p.l.c.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	Group		Company	
		2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Revenue	5	23,484,074	19,655,398	2,572,500	2,825,247
Cost of sales		(6,474,707)	(6,204,696)	-	-
Other operating income	6	807,870	866,351	32,808	-
Administrative expenses		(1,613,854)	(1,710,374)	(90,696)	(136,180)
Staff costs	7	(2,092,407)	(1,802,015)	(18,000)	(22,500)
Depreciation and amortisation		(3,605,080)	(3,035,592)	-	-
Operating profit		10,505,896	7,769,072	2,496,612	2,666,567
Gain from bargain purchase	8	-	112,886,018	-	-
Share of results of associates		-	(840)	-	-
Finance costs	9	(2,870,997)	(2,893,799)	(2,049,000)	(2,250,000)
Movement in revaluation of investment property		-	2,333,982	-	-
Profit before taxation	10	7,634,899	120,094,433	447,612	416,567
Income tax	11	(1,532,138)	(4,532,043)	310,028	-
Profit for the year/ period		6,102,761	115,562,390	757,640	416,567
Other comprehensive income, net of taxation					
Movement in revaluation of property, plant and equipment, net of deferred tax		1,177,502	(35,840)	-	-
Total comprehensive income for the year/ period		7,280,263	115,526,550	757,640	416,567
Earnings per share	12	24.27	385.09	2.53	1.39

The notes on pages 22 to 54 form an integral part of these financial statements.

Stivala Group Finance p.l.c.

Statements of Financial Position

As at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		€	€	€	€
ASSETS					
Non-current assets					
Intangible assets	13	68,291	70,236	-	-
Right-of-use asset	14	516,745	-	-	-
Property, plant and equipment	15	84,538,073	74,947,238	-	-
Investment property	16	116,469,022	115,846,079	-	-
Investment in subsidiary	17	-	-	60,004,895	45,004,895
Investments in associates	17	500	500	-	-
Loans and receivables	17	15,494,057	7,620,953	218,941	510,652
Deferred taxation	25	-	-	310,028	-
		<u>217,086,688</u>	<u>198,485,006</u>	<u>60,533,864</u>	<u>45,515,547</u>
Current assets					
Inventory	18	773,895	10,931	-	-
Trade and other receivables	19	6,541,305	3,693,407	-	-
Current tax recoverable	20	-	-	1,198,288	297,913
Cash at bank and in hand	21	881,743	235,195	6,040	1,447
		<u>8,196,943</u>	<u>3,939,533</u>	<u>1,204,328</u>	<u>299,360</u>
Total assets		<u>225,283,631</u>	<u>202,424,539</u>	<u>61,738,192</u>	<u>45,814,907</u>

The notes on pages 22 to 54 form an integral part of these financial statements.

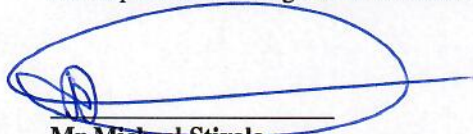
Stivala Group Finance p.l.c.

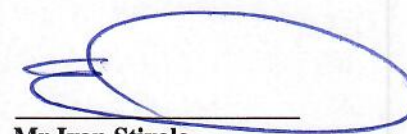
Statements of Financial Position (continued)

As at 31 December 2019

	Note	Group		Company	
		2019	2018	2019	2018
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
Called up issued share capital	22	300,000	300,000	300,000	300,000
Retained earnings		33,682,879	26,357,233	1,174,207	416,567
Revaluation reserve		89,123,934	89,169,317	-	-
Total equity		<u>123,106,813</u>	<u>115,826,550</u>	<u>1,474,207</u>	<u>716,567</u>
Non-current liabilities					
Long-term borrowings	23	16,027,840	14,605,831	-	-
Debt securities in issue	24	59,550,000	44,640,000	59,550,000	44,640,000
Deferred taxation	25	15,110,009	15,394,236	-	-
		<u>90,687,849</u>	<u>74,640,067</u>	<u>59,550,000</u>	<u>44,640,000</u>
Current liabilities					
Short-term borrowings	23	1,788,567	3,684,371	-	-
Trade and other payables	26	7,541,697	7,072,302	713,985	458,340
Current tax liability	20	2,158,705	1,201,249	-	-
		<u>11,488,969</u>	<u>11,957,922</u>	<u>713,985</u>	<u>458,340</u>
Total liabilities		<u>102,176,818</u>	<u>86,597,989</u>	<u>60,263,985</u>	<u>45,098,340</u>
Net equity and liabilities		<u>225,283,631</u>	<u>202,424,539</u>	<u>61,738,192</u>	<u>45,814,907</u>

These financial statements were approved by the board of directors, authorised for issue on 21st April 2020 and signed on its behalf by:


Mr Michael Stivala
 Director


Mr Ivan Stivala
 Director

The notes on pages 22 to 54 form an integral part of these financial statements.

Stivala Group Finance p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2019

Group	Called up issued share capital €	Retained earnings €	Revaluation reserve €	Total €
Profit for the period	-	115,562,390	-	115,562,390
Other comprehensive income	-	-	(35,840)	(35,840)
Total comprehensive income	-	115,562,390	(35,840)	115,526,550
Revaluation of investment property, net of tax	-	794,726	(794,726)	-
Revaluation reserve on acquisition	-	(89,999,883)	89,999,883	-
Issue of share capital	300,000	-	-	300,000
At 31 December 2018	300,000	26,357,233	89,169,317	115,826,550
Profit for the year	-	6,102,761	-	6,102,761
Other comprehensive income	-	1,177,502	-	1,177,502
Total comprehensive income	-	7,280,263	-	7,280,263
Revaluation of investment property, net of tax	-	45,383	(45,383)	-
At 31 December 2019	300,000	33,682,879	89,123,934	123,106,813

Stivala Group Finance p.l.c.

Statements of Changes in Equity

For the year ended 31 December 2019

Company	Called up issued share capital €	Retained earnings €	Total €
Profit for the period	-	416,567	416,567
Other comprehensive income	-	-	-
Total comprehensive income	-	416,567	416,567
Issue of share capital	300,000	-	300,000
At 31 December 2018	300,000	416,567	716,567
Profit for the year	-	757,640	757,640
Other comprehensive income	-	-	-
Total comprehensive income	-	757,640	757,640
At 31 December 2019	300,000	1,174,207	1,474,207

Stivala Group Finance p.l.c.

Statements of Cash Flows

For the year ended 31 December 2019

	Note	Group		Company	
		2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Cash flows from operating activities					
Operating profit		10,505,896	7,769,072	2,496,612	2,666,567
Adjustments for:					
Depreciation		3,578,910	3,015,478	-	-
Amortisation		26,170	20,114	-	-
Amortisation of bond issue costs		60,000	90,000	60,000	90,000
Dividends receivable		(2,572,500)	(252,818)	(2,572,500)	(2,825,247)
Expenses recharged		-	-	(32,808)	-
Movement in allowance for expected credit losses		141,041	54,576	778	3,026
Operating profit before working capital movements		11,739,517	10,696,422	(47,918)	(65,654)
Movement in inventories		887,666	(10,931)	-	-
Movement in trade and other receivables		(24,665)	12,267,359	(7,944,747)	(5,523,147)
Movement in trade and other payables		(2,589,585)	(9,737,489)	255,645	458,340
Cash flows used from/(used in) operations		10,012,933	13,215,361	(7,737,020)	(5,130,461)
Interest paid		(2,870,997)	(2,893,799)	(2,049,000)	(2,250,000)
Net taxation paid		(1,414,273)	(662,963)	(900,375)	(297,913)
Net cash from/(used in) operating activities		5,727,663	9,658,599	(10,686,395)	(7,678,374)
Cash flows used in investing activities					
Acquisitions of investment property		(2,273,573)	(36,655,926)	-	-
Acquisitions of property, plant and equipment		(11,307,694)	(5,877,882)	-	-
Acquisitions of intangible assets		(24,225)	(82,668)	-	-
Acquisitions of financial assets		-	(500)	-	-
Movement in loans to related parties		(5,202,805)	(7,657,093)	-	-
Net cash used in investing activities		(18,808,297)	(50,274,069)	-	-
Cash flows used from financing activities					
Movement in amounts owed to other related parties		(20,041)	61,259	-	-
Proceeds from bond issue		14,850,000	44,550,000	10,690,988	7,429,821
Movement in bank loans		1,153,536	(3,208,254)	-	-
Movement in other loans		-	(2,000,000)	-	-
Movement in lease liabilities		(121,108)	-	-	-
Issue of share capital		-	250,000	-	250,000
Net cash used from financing activities		15,862,387	39,653,005	10,690,988	7,679,821
Net movement in cash and cash equivalents		2,781,753	(962,465)	4,593	-
Expected credit loss		(3,093)	-	-	-
Cash and cash equivalents at the start of the year		(2,372,153)	(1,409,688)	1,447	-
Cash and cash equivalents at the end of the year, net of expected credit loss	21	406,507	(2,372,153)	6,040	1,447

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

1. General information

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

2. Significant accounting policies

Accounting convention and basis of preparation

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

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

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.

New and revised standards that are effective for the current period

In the current year, the group 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.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

New and revised standards that are effective for the current period (continued)

In the current year, the group entered into a lease agreement, and with the adoption of IFRS 16, a right-of-use assets amounting to €645,931 and lease liability amounting to €524,823 were recognized. The Statement of Profit or Loss includes an interest on lease liabilities of €23,201 and a depreciation of €129,186 instead of the annual rental lease of €144,310.

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 expect that the adoption of the amended Standards will have a material impact on the financial statements of the company.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Basis of consolidation

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

Subsidiaries

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

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

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

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

Associates

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Associates (continued)

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

Intangible assets

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

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

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

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

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

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Buildings	-	1% Straight Line
Motor vehicles	-	20% Straight Line
Kitchen equipment	-	20% Straight Line
Computer equipment	-	20% Straight Line
Plant and machinery	-	20% Straight Line
Furniture, fittings and office equipment	-	20% Straight Line
Electrical installations	-	20% Straight Line
Energy saving equipment	-	20% Straight Line

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the company, and the cost of the property can be reliably measured. Investment property is initially measured at cost, comprising its purchase price and any directly attributable costs.

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

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition.

Leases – the Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Leases – the Group as Lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The Group applies IAS 36 to determine whether a right-of-use asset is impaired.

The depreciation rate used for furniture and fittings is 20% to reflect the lease term of 5 years.

Financial assets

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

Investments in subsidiaries are stated at cost less impairment losses.

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

- they are held within a business model whose objective is to hold the financial assets and collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Financial liabilities

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

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

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

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

Offsetting financial instruments

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

Inventories

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

Impairment

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

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

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

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Revenue from sale of goods and services

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

Rental income

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

Dividend receivable

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

Taxation

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

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

2. Significant accounting policies (continued)

Employee benefits

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

Cash and cash equivalents

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

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

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

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

4. 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. The directors have taken the following decisions and are implementing these measures:

- applied for wage support with the government (Malta Enterprise);
- applied for a new loan to be guaranteed by government;
- halted all new capital projects;
- applied for moratorium with banks for the coming 12 months;
- reviewed all costs including operational costs and payroll;
- are in discussions with suppliers to extend the payments terms;
- are looking for opportunities to sell some properties; and
- are in discussions to extend the term of the existing promise of sale agreements to purchase property.

The revenue (dividend income) of the company is expected to be affected as it depends on the operations of the group. At a group level the operations of the main operating companies have curtailed. ST Hotels Limited had to close its hotels and revenue being registered from units which are being partly operated is minimal. Rental income receivable by ST Hotels Limited will experience the same decrease as that expected for ST Properties Limited.

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

4. Events after the reporting period (continued)

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

	Group		Company	
	2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Hospitality and entertainment	12,107,557	11,589,124	-	-
Rental income	8,275,623	7,800,573	-	-
Sale of ground rent	-	2,329	-	-
Sale of property	2,676,000	-	-	-
Commissions receivable	27,037	10,554	-	-
Other services	397,857	-	-	-
Dividend receivable	-	252,818	2,572,500	2,825,247
	<u>23,484,074</u>	<u>19,655,398</u>	<u>2,572,500</u>	<u>2,825,247</u>

6. Other operating income

	Group		Company	
	2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Recharge of water and electricity to tenants	504,810	457,809	-	-
Recharge of expenses to related party	-	-	32,808	-
Government grants receivable	-	23,397	-	-
Profit on assignment of rights	76,852	-	-	-
Management fees	53,020	68,078	-	-
Insurance claims	-	10,000	-	-
Miscellaneous income	173,188	307,067	-	-
	<u>807,870</u>	<u>866,351</u>	<u>32,808</u>	<u>-</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

7. Staff costs and employee information

	Group		Company	
	2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Wages and salaries	1,799,627	1,540,407	-	-
Social security contributions	123,426	107,984	-	-
Directors' fees and remuneration	169,354	153,624	18,000	22,500
	<u>2,092,407</u>	<u>1,802,015</u>	<u>18,000</u>	<u>22,500</u>

	Group		Company	
	2019	2018	2019	2018
The average number of employees during the year were:				
Administration	19	17	3	3
Operational	115	90	-	-
	<u>134</u>	<u>107</u>	<u>3</u>	<u>3</u>

8. Gain from bargain purchase

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

	2018 €
Assets	
Investment property	76,856,171
Property, plant and equipment	72,084,834
Intangible assets	7,682
Investments in associates	840
Trade and other receivables	14,306,227
Cash and cash equivalents	178,562
	<u>163,434,316</u>
Liabilities	
Trade and other payables	(15,439,635)
Short-term borrowings	(1,588,250)
Taxation	(553,457)
Other loans	(2,000,000)
Bank loans	(18,829,848)
Deferred taxation	(12,137,108)
	<u>(50,548,298)</u>
	<u>112,886,018</u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

9. Finance costs

	Group		Company	
	2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
Interest on debt securities in issue	2,049,000	2,250,000	2,049,000	2,250,000
Interest on bank loans, overdrafts and bank balances overdrawn	798,796	643,799	-	-
Interest on lease liability	23,201	-	-	-
	<u>2,870,997</u>	<u>2,893,799</u>	<u>2,049,000</u>	<u>2,250,000</u>

10. Profit before taxation

	Group		Company	
	2019 (12 months) €	2018 (16 months) €	2019 (12 months) €	2018 (16 months) €
<i>Profit before taxation is stated after charging:</i>				
Auditors' remuneration	26,672	25,941	13,510	3,540
Staff costs	1,923,053	1,648,391	-	-
Directors' fees and remuneration	169,354	153,624	18,000	22,500
Movement in allowance for expected credit losses	141,041	54,576	778	3,026
Depreciation	3,578,910	3,015,478	-	-
Amortisation	26,170	20,114	-	-
Loss on exchange	2,455	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>and after crediting:</i>				
Government grants	-	23,397	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

11. Income tax

As at year-end, the company had unabsorbed tax losses and other temporary differences for which no deferred tax asset was recognised amounting to €- (2018: €1,409,294) and €3,804 (2018: €3,026) respectively.

As at year-end, the group had unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised amounting to €1,675 (2018: €1,409,294) and €2,619,483 (2018: €2,510,186) respectively. It also had unutilised tax credits amounting to €252,500.

	Group		Company	
	2019 (12 months)	2018 (16 months)	2019 (12 months)	2018 (16 months)
	€	€	€	€
<i>Malta Income Tax:</i>				
Current taxation	2,371,729	1,310,755	-	-
Deferred taxation	(839,591)	3,221,288	(310,028)	-
	<u>1,532,138</u>	<u>4,532,043</u>	<u>(310,028)</u>	<u>-</u>

The accounting profit and the tax charge/(credit) for the year are reconciled as follows:

	Group		Company	
	2019 (12 months)	2018 (16 months)	2019 (12 months)	2018 (16 months)
	€	€	€	€
Profit before tax	7,634,899	120,094,433	447,612	416,567
Tax thereon at 35%	2,672,215	42,033,052	156,664	145,799
Tax effect of:				
Tax effect of unrecognised temporary differences	(201,913)	1,371,818	(492,981)	494,312
Tax effect of permanent differences	(938,164)	(38,872,827)	26,289	(640,111)
	<u>1,532,138</u>	<u>4,532,043</u>	<u>(310,028)</u>	<u>-</u>

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12. Earnings per share

The earnings per share has been calculated on the profit for the year of €7,280,263 (2018: €115,526,550) of the group and €757,640 (2018: €416,567) of the company divided by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Weighted average number of shares in issue	300,000	300,000	300,000	300,000
	€	€	€	€
Earnings per share	24.27	385.09	2.53	1.39

13. Intangible assets

Group

	Computer software
	€
Cost	
On acquisition	7,682
Additions	82,668
At 31 December 2018	90,350
At 1 January 2019	90,350
Additions	24,225
At 31 December 2019	114,575
Amortisation	
Charge for the period	20,114
At 31 December 2018	20,114
At 1 January 2019	20,114
Charge for the year	26,170
At 31 December 2019	46,284
Net book value	
At 31 December 2019	68,291
At 31 December 2018	70,236

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For the year ended 31 December 2019

14. Right-of-use assets

Group

	Furniture and fittings €
Cost	
Additions	645,931
At 31 December 2019	<u>645,931</u>
Depreciation	
Charge for the year	129,186
At 31 December 2019	<u>129,186</u>
Net book value	
At 31 December 2019	<u>516,745</u>

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15. Property, plant and equipment		Group										Total
Group		Buildings	Motor vehicles	Kitchen equipment	Computer equipment	Plant and machinery	Furniture, fittings and office equipment	Electrical installations	Energy saving equipment			
Fair value/Cost	€	€	€	€	€	€	€	€	€	€	€	
On acquisition	64,758,076	238,753	25,482	31,080	305,221	4,809,858	889,983	1,026,381	72,084,834			
Additions	3,714,330	169,982	14,023	94,419	192,431	744,054	948,643	-	5,877,882			
At 31.12.2018	68,472,406	408,735	39,505	125,499	497,652	5,553,912	1,838,626	1,026,381	77,962,716			
Additions	8,387,342	15,491	27,538	182,947	28,775	583,844	2,076,779	4,978	11,307,694			
Revaluation	1,732,865	-	-	-	-	-	-	-	1,732,865			
At 31.12.2019	78,592,613	424,226	67,043	308,446	526,427	6,137,756	3,915,405	1,031,359	91,003,275			
Depreciation												
Provision for the period	678,648	97,817	10,377	28,287	120,396	1,403,691	418,059	258,203	3,015,478			
At 31.12.2018	678,648	97,817	10,377	28,287	120,396	1,403,691	418,059	258,203	3,015,478			
Provision for the year	785,926	85,008	8,154	53,059	123,008	1,482,249	825,876	86,444	3,449,724			
At 31.12.2019	1,464,574	182,825	18,531	81,346	243,404	2,885,940	1,243,935	344,647	6,465,202			
Carrying amount												
At 31.12.2019	77,128,039	241,401	48,512	227,100	283,023	3,251,816	2,671,470	686,712	84,538,073			
At 31.12.2018	67,793,758	310,918	29,128	97,212	377,256	4,150,221	1,420,567	768,178	74,947,238			

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15. Property, plant and equipment (continued)

The fair value of the buildings 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 recent experience in valuation of properties of similar locations and categories.

Details of the buildings 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	19,701,695	24,910,204	4,248,675	48,860,574
Residential property	3,942,652	25,260,611	528,776	29,732,039
Total	23,644,347	50,170,815	4,777,451	78,592,613

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

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

Type of Property	Valuation Technique	Inputs
Commercial property amounting to €19,701,695	Market approach	The value of the property is based on the selling prices of similar commercial property.
Residential property amounting to €3,942,652	Market approach	The value of the property is based on the selling prices of similar commercial property.

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15. Property, plant and equipment (continued)

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

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to €324,000	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 18,500.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Commercial property amounting to €24,586,204	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.
Residential property amounting to €11,366,179	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 647,800	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Residential property amounting to €13,894,432	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 group used the same valuation techniques used in the previous period.

Had the group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	Group	
	2019	2018
	€	€
Buildings	77,853,954	69,466,612

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For the year ended 31 December 2019

16. Investment property

	€
Fair value	
On acquisition	76,856,171
Additions	36,655,926
Revaluation	2,333,982
At 31 December 2018	<u>115,846,079</u>
At 1 January 2019	115,846,079
Additions	2,273,573
Transfer to inventory	(1,650,630)
At 31 December 2019	<u>116,469,022</u>

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 recent experience in valuation of properties of similar locations and categories.

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	12,669,077	6,133,097	8,978,429	27,780,603
Residential property	28,302,813	23,731,875	4,500,086	56,534,774
Offices	-	17,516,282	14,637,363	32,153,645
Total	<u>40,971,890</u>	<u>47,381,254</u>	<u>28,115,878</u>	<u>116,469,022</u>

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	Valuation Technique	Inputs
Commercial property amounting to €12,669,077	Market approach	The value of the property is based on the selling prices of similar commercial property.
Residential property amounting to €28,302,813	Market approach	The value of the property is based on the selling prices of similar commercial property.

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For the year ended 31 December 2019

16. Investment property (continued)

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

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to €6,133,097	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of € 349,600.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Residential property amounting to €23,731,875	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of €1,352,700.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.
Offices amounting to €17,516,282	Income capitalisation approach	Capitalisation rate at 5.7%, a yearly rental income of €998,500.	The higher the capitalisation rate, the lower the fair value. The higher the rental income, the higher the fair value.

During the year the group used the same valuation techniques used in the previous period.

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

As at year-end, the group also had preliminary agreements for contractual agreements for the acquisition of investment property amounting to €10,782,000.

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For the year ended 31 December 2019

17. Financial assets

Group

Non-current financial assets

	Loans to associates	Loans to other related parties	Investment in associates	Total
	€	€	€	€
Cost				
At 1 January 2019	2,155,477	5,501,616	500	7,657,593
Additions	2,860,630	5,114,782	-	7,975,412
At 31 December 2019	5,016,107	10,616,398	500	15,633,005
Expected credit loss allowance				
At 1 January 2019	(27,337)	(8,803)	-	(36,140)
Movement	(36,796)	(65,512)	-	(102,308)
At 31 December 2019	(64,133)	(74,315)	-	(138,448)
Carrying amount				
At 31 December 2019	4,951,974	10,542,083	500	15,494,557
At 31 December 2018	2,128,140	5,492,813	500	7,621,453

Loans to associates and other related parties

Loans to associates and other related parties are unsecured, interest-free and have no fixed date of repayment. The group determines the loss allowance for associates and other related parties at a probability of default ranging between 0.7% and 14.21% (2018: 0.16% - 3.3%) and a loss given default ranging between 40% and 100% (2018: 30.97% - 100%), which resulted into an expected credit loss allowance of €102,308 (2018: €36,140).

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For the year ended 31 December 2019

17. Financial assets (continued)

Company

Non-current financial assets

	Loan to subsidiary	Investment in subsidiary	Total
	€	€	€
Cost			
Additions	513,678	45,004,895	45,518,573
At 31 December 2018	513,678	45,004,895	45,518,573
At 1 January 2019	513,678	45,004,895	45,518,573
Additions	(290,933)	15,000,000	14,709,067
At 31 December 2019	222,745	60,004,895	60,227,640
Expected credit loss allowance			
Movement	(3,026)	-	(3,026)
At 31 December 2018	(3,026)	-	(3,026)
At 1 January 2019	(3,026)	-	(3,026)
Movement	(778)	-	(778)
At 31 December 2019	(3,804)	-	(3,804)
Carrying amount			
At 31 December 2019	218,941	60,004,895	60,223,836
At 31 December 2018	510,652	45,004,895	45,515,547

Loan to subsidiary

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

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For the year ended 31 December 2019

17. Financial assets (continued)

Investment in subsidiary

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

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

Investment in associates

Registered address	Group % of ordinary capital held
Quisisana Boutique Company Ltd (in liquidation)	50
Platinum Developments Ltd	50
Civala Limited	50
Sliema Creek Lido Limited	33.33

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

	2019 €	2018 €
Current assets	568,395	698,302
Non-current assets	4,360,625	1,409,146
Current liabilities	209,559	43,179
Non-current liabilities	5,064,221	2,388,776

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18. Inventory

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Goods held for resale	17,688	10,931	-	-
Property for resale	756,207	-	-	-
	<u>773,895</u>	<u>10,931</u>	<u>-</u>	<u>-</u>

19. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Trade receivables	1,194,133	612,294	-	-
Allowance for ECL on trade receivables	(54,076)	(18,436)	-	-
	<u>1,140,057</u>	<u>593,858</u>	<u>-</u>	<u>-</u>
Amounts owed by other related parties	<i>Note</i> 3,417	2,775	-	-
Ultimate beneficial owners' current accounts	<i>Note</i> 4,279,030	1,420,157	-	-
Other receivables	1,051,295	1,641,849	-	-
Prepayments and accrued income	67,506	34,768	-	-
	<u>6,541,305</u>	<u>3,693,407</u>	<u>-</u>	<u>-</u>

Impairment for financial assets

Trade receivables

The group applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The expected credit loss is not calculated on trade receivables that are backed by deposits (in other payables) as there is no default risk. The expected credit losses for trade receivables as at 31 December 2019 was determined as follows:

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19. Trade and other receivables (continued)

Impairment for financial assets (continued)

Trade receivables (continued)

	2019						
	Current	Trade receivables days past due				Specific	Total
		>30 days	> 60 days	> 90 days	> 180 days		
Expected credit loss rate	%	9.8	10.10	10.41	10.71	13.45	100.00
Gross carrying amount	€	148,673	107,893	19,754	104,110	11,079	13,905
Lifetime expected credit losses	€	14,570	10,902	2,056	11,153	1,490	13,905
							54,076

Amounts owed by other related parties

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

Ultimate beneficial owners' current accounts

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

20. Current tax (liability)/recoverable

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Balance at beginning of year/period	(1,201,249)	-	297,913	-
On acquisition	-	(553,457)	-	-
Tax charge for the year/period	(2,371,729)	(1,310,755)	-	-
Settlement tax paid	227,461	654,889	-	-
Tax paid at source	1,186,812	22,350	900,375	297,913
Tax refundable	-	(14,276)	-	-
Balance at end of year/period	(2,158,705)	(1,201,249)	1,198,288	297,913

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21. Cash and cash equivalents

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

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Cash at bank and in hand	884,836	235,195	6,040	1,447
Bank balance overdrawn/ bank overdraft (Note 23)	(475,236)	(2,607,348)	-	-
Expected credit loss	(3,093)	-	-	-
Cash and cash equivalents, net of expected credit loss	406,507	(2,372,153)	6,040	1,447

As at year-end, the group had blocked funds amounting to €8,797 (2018: €59,724).

22. Called up issued share capital

	2019	2018
	€	€
Authorised		
500,000 ordinary shares of €1 each	500,000	500,000
Called up issued and fully paid-up		
300,000 ordinary shares of €1 each	300,000	300,000

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.

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23. Borrowings

Group

		2019	2018
		€	€
Bank balance overdrawn		-	747,379
Bank overdraft	<i>Note</i>	475,236	1,859,969
Bank loans	<i>Note</i>	16,775,130	15,621,595
Lease liabilities		524,823	-
Amount owed to associate	<i>Note</i>	41,218	61,259
		<u>17,816,407</u>	<u>18,290,202</u>

Borrowings are repayable as follows:

	2019	2018
	€	€
On demand or within one year	<u>1,788,567</u>	<u>3,684,371</u>
Between two and five years	5,680,986	5,754,537
After five years	10,346,854	8,851,294
Long term borrowings	<u>16,027,840</u>	<u>14,605,831</u>
	<u>17,816,407</u>	<u>18,290,202</u>

Bank overdraft

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

Bank loans

The bank loans are secured by a general hypothec over the respective subsidiary's assets, by guarantees of the parent company, by a special hypothec over property in Gzira, by pledges taken over various insurance policies, and by personal guarantees of the directors. The subsidiary had a bank loan amounting to €8,589,149. 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. Another two bank loans issued to a sub-subsidiary amounting to €3,460,059 and €4,725,922 bear interest at 4% per annum and are repayable by monthly instalments of €40,605 and €50,755 inclusive of interest respectively.

Amount owed to associate

Amount owed to associate is unsecured, interest-free and has no fixed date of repayment.

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24. Debt securities in issue

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Bond issue	60,000,000	45,000,000	60,000,000	45,000,000
Bond issue costs	(600,000)	(450,000)	(600,000)	(450,000)
Bond issue costs amortisation brought forward	90,000	-	90,000	-
Bond issue costs amortisation for the period	60,000	90,000	60,000	90,000
At end of year/period	<u>59,550,000</u>	<u>44,640,000</u>	<u>59,550,000</u>	<u>44,640,000</u>
Falling due after more than five years	<u>59,550,000</u>	<u>44,640,000</u>	<u>59,550,000</u>	<u>44,640,000</u>

As at year-end, the company had a balance of €59,550,000 (2018: €44,640,000) from the bond issues of €45 million 4% secured bonds of €100 nominal value each, redeemable at par in 2027 and €15 million 3.65% secured bonds of €100 nominal value each, redeemable at par in 2029. The amount is made up of the two bond issues of €45 million and €15 million respectively, net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 18 October of each year with respect to the €45 million bond issue and on 18 July of each year with respect to the €15 million bond issue, at the respective above-mentioned rates. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by Carmelo Stivala Group Limited.

25. Deferred taxation liability/(asset)

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
<i>Arising on:</i>				
Excess of capital allowances over depreciation	(644,592)	(448,669)	(310,028)	-
Right-of-use assets/ lease liabilities	(2,827)	-	-	-
Unabsorbed tax losses	(709,768)	-	-	-
Unabsorbed tax credits	-	(36,019)	-	-
Revaluation of property	16,486,123	15,885,377	-	-
Movement in allowance for expected loss	(18,927)	(6,453)	-	-
	<u>15,110,009</u>	<u>15,394,236</u>	<u>(310,028)</u>	<u>-</u>

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Notes to the Financial Statements

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26. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Current				
Trade payables	1,764,664	2,558,230	1,770	1,770
Amounts owed to other related parties	<i>Note</i> 24,638	27,724	-	-
Accruals and deferred income	3,222,758	1,687,538	708,050	454,190
Indirect taxation	420,999	452,605	-	-
Other payables	2,108,638	2,346,205	4,165	2,380
	<u>7,541,697</u>	<u>7,072,302</u>	<u>713,985</u>	<u>458,340</u>

Amounts owed to other related parties

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

27. Capital commitments

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

	2019	2018
	€	€
Approved but not yet contracted for	-	419,889
Approved and contracted for	10,782,000	17,298,181

28. Contingent liabilities

The company's subsidiary is engaged in legal actions in respect of a claim against it amounting to €2,900 (2018: Nil). Two of the sub-subsidiaries are engaged in legal actions in respect of claims against them amounting to €11,000 (2018: €11,000). The companies are restricting these claims. No provision has been made in the consolidated financial statements in respect of these claims.

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29. Related parties

Group

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

	2019	2018
	€	€
<i>Transactions with associates:</i>		
Dividends receivable	-	252,818

Company

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

	2019	2018
	€	€
<i>Transactions with subsidiaries:</i>		
Dividends receivable	2,572,500	2,825,247
Directors' salaries recharged from	18,000	-
Expenses recharged to	32,808	-

30. Risk management objectives and policies

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

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

Credit risk

The group's and company's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 17, 19 and 21.

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

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

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

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For the year ended 31 December 2019

30. Risk management objectives and policies (continued)

Liquidity risk

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

As at 31 December 2019 the group is in a net current liability position of €3,091,919 (2018: €8,018,389). The directors are confident that these current liabilities are financed through the generation of funds from the operations when they fall due. The ultimate beneficial owners have pledged to continue to support the group.

At 31 December 2019 and 31 December 2018, the contractual maturities on the financial liabilities of the group and the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Group

	Less than 6 months 2019 €	From 6 to 12 months 2019 €	From 1 to 5 years 2019 €	More than 5 years 2019 €
Bank borrowings	917,256	917,256	7,338,048	11,410,885
Non-bank borrowings	1,170,534	1,183,397	11,743,932	65,172,637
Lease liabilities	73,457	73,457	420,396	-
	<hr/>	<hr/>	<hr/>	<hr/>
	Less than 6 months 2018 €	From 6 to 12 months 2018 €	From 1 to 5 years 2018 €	More than 5 years 2018 €
Bank borrowings	700,568	917,256	7,338,048	10,127,986
Non-bank borrowings	892,603	907,397	9,009,863	50,030,137
	<hr/>	<hr/>	<hr/>	<hr/>

Stivala Group Finance p.l.c.

Notes to the Financial Statements

For the year ended 31 December 2019

30. Risk management objectives and policies (continued)

Liquidity risk (continued)

Company

	Less than 6 months 2019 €	From 6 to 12 months 2019 €	From 1 to 5 years 2019 €	More than 5 years 2019 €
Non-bank borrowings	1,170,534	1,183,397	11,743,932	65,172,637
	Less than 6 months 2018 €	From 6 to 12 months 2018 €	From 1 to 5 years 2018 €	More than 5 years 2018 €
Non-bank borrowings	892,603	907,397	9,009,863	50,030,137

Foreign currency risk

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

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

Interest rate risk

The group's and the company's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the directors consider an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a movement is considered immaterial.

31. Capital management policies and procedures

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