GASAN FINANCE COMPANY p.l.c.

Annual Report and Financial Statements
31 December 2018

Company Registration Number: C16435

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

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 €3,787,822 (2017: €3,586,483). This was generated from interest charged to group companies on outstanding balances and rental income. Interest expense amounted to €1,220,022 (2017: €1,223,677). Administrative expenses amounted to €360,992 (2017: €346,714).

There was no increase in fair value of investment property for the year (2017: €851,268) and therefore the the profit for the year before taxation amounted to €2,206,808 (2017: €2,867,360). After deducting taxation, profit for the year amounted to €1,694,919 (2017: €2,235,800).

Financial position

As at 31 December 2018, the Company's total asset base amounted to €61,075,242 (2017: €58,593,196), an increase of €2,482,046 from the previous year. This increase was mainly related to trade and other receivables which increased from €24,177,891 to €26,652,087 due to amounts advanced to the parent company during the year.

Total equity increased by €1,634,919 to €31,786,032, reflecting the profit for the year, net of transition adjustment upon adoption of IFRS 9 of €60,000.

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 immoveable 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 17. The directors do not recommend the payment of a dividend (2017: €nil).

Directors

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

Joseph A. Gasan
Anthony R. Curmi
Mark Gasan
Michael Soler
Ian Sultana
Etienne Borg Cardona
Roderick E. D. Chalmers (resigned 1 January 2018)
Publio sive Danny Rosso (appointed 1 January 2018)
Kevin J Valenzia (appointed 7 January 2019)

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

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 2018 are included in the Annual Report 2018, 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

Mark Gasan
Director

Registered Office
Gasan Centre
Mriehel By-Pass
Mriehel

Company Secretary:
Ian Sultana

Telephone number:
27788500

26 April 2019

Corporate governance – Statement of compliance

A. 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.

B. Compliance with the Code

Principle 1 and 4 – The Board and Responsibilities of the Board

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.

Principle 2 and 3 – Chairman, managing director and the Composition of the Board

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 eight 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, four of whom (Anthony R. Curmi, Etienne Borg Cardona, Publio sive Danny Rosso and Kevin J Valenzia) are unconnected with the Gasan Group of Companies, are as follows:

		Meetings attended
Joseph A. Gasan	Chairman	3 out of 3
Mark Gasan	Executive director	3 out of 3
Ian Sultana	Managing director	3 out of 3
Michael Soler	Non-executive director	3 out of 3
Anthony R. Curmi	Non-executive director	2 out of 3
Publio sive Danny Rosso	Non-executive director	2 out of 3
Etienne Borg Cardona	Non-executive director	3 out of 3
Kevin J Valenzia	Non-executive director	Appointed post year end

The board has delegated authority and accountability for the Company's day-to-day operations to its Managing director and Executive director, who are employees of a member company of the Gasan Group.

Corporate governance – Statement of compliance - continued

The Chairman, who is a non-executive director, is responsible to:

- lead the board and set its agenda;
- ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company;
- ensure effective communication with shareholders; and
- encourage active engagement by all members of the board for discussion of complex or contentious issues.

Principle 5 – Board meetings

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 three board meetings were held.

Principle 6 – Information and Professional Development

The Company ensures that the relevant information is provide to the directors to enable them to contribute effectively to the matters being discussed during board meetings.

Principle 7 – Evaluation of the Board's Performance

Under the present circumstances the evaluation of the board's performance is undertaken at shareholder level.

Principle 8 – Committees

Audit Committee

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

Following the resignation of Roderick E. D. Chalmers from director, Publio sive Danny Rosso was appointed in his stead as Chairman of the Audit Committee on 1 January 2018. Furthermore, Kevin J Valenzia has been appointed as an additional member of the Audit Committee from 7 January 2019. Hence, the Audit Committee is currently composed of the following non-executive directors:

	Meetings attended
Publio sive Danny Rosso (Chairman)	3 out of 4
Michael Soler	4 out of 4
Etienne Borg Cardona	4 out of 4
Kevin J Valenzia	Appointed post year end

Corporate governance – Statement of compliance - continued

Publio sive Danny Rosso, Etienne Borg Cardona and Kevin J Valenzia 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. They 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

Three of the Company's directors, namely Publio sive Danny Rosso, Anthony R. Curmi and Etienne Borg Cardona, receive a remuneration which is determined at the Company's Annual General Meeting and currently stands at €8,900 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.

Nomination Committee

Under the present circumstances the board does not consider it necessary to appoint a nomination committee as decisions on the matter are taken at shareholder level.

Principle 9 – 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.

Principle 10 – Institutional Shareholders

This principle is not applicable since the Company has no institutional shareholders.

Principle 11 – Conflicts of Interest

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.

Corporate governance – Statement of compliance - continued

Principle 12 – Corporate Social Responsibility

The board is aware of the importance of the continuing commitment to behave ethically and contribute to the economic development of society at large. This commitment is also recognised within the Gasan Group of Companies, with various initiatives actively taken up periodically aimed at developing the Group's human capital, health and safety issues and adopting environmentally responsible practices.

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

Approved by the board on 26 April 2019 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 2018, 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 the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Gasan Finance Company p.l.c.'s financial statements, set out on pages 16 to 43, comprise:

- the statement of financial position as at 31 December 2018;
- 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 these Codes.

Independent auditor's report - continued

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Company in the period from 1 January 2018 to 31 December 2018, are disclosed in note 14 to the financial statements.

Our audit approach

Overview

Overall materiality: €110,000 (2017: €100,000), which represents 5% of profit before tax (2017: 5% of profit before change in fair value of investment property and 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 structure of the Company, 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.

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Independent auditor's report - continued

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

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.

Overall materiality	€110,000 (2017: €100,000)
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 €11,000 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 €34.4m and comprise commercial properties held for rent. Valuations are performed annually by the directors on the basis of past 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.	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. We engaged our own in-house valuation experts to review and challenge the valuation approach and assumptions for the properties.

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 valuations also take into account the terms and conditions of current lease agreements.	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.	In relation to these assets, we found that the capitalisation rates were predominately consistent with comparable information for property in the area.
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.	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%.	We have agreed the terms surrounding the loans to supporting loan agreements.
Loan balances due to the Company as at 31 December 2018 amounted to €26m.	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.
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.	

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).

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

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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 Maltese 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 Maltese 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 have 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.

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.

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Independent auditor's report - *continued*

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

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 7 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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.

Independent auditor's report - continued

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

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

Appointment

We were first appointed as auditors of the Company for the period ending 31 December 1994. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 25 years. The Company became listed on a regulated market on 26 October 1994.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Simon Flynn
Partner

26 April 2019

Statement of financial position

	Notes	As at 31 December 2018 €	2017 €
ASSETS			
Non-current assets			
Investment property	4	**34,423,155**	34,415,305
Total non-current assets		**34,423,155**	34,415,305
Current assets			
Trade and other receivables	5	**26,652,087**	24,177,891
Total current assets		**26,652,087**	24,177,891
Total assets		**61,075,242**	58,593,196
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**3,500,000**	3,500,000
Other reserve	8	**15,563,201**	15,563,201
Retained earnings		**12,722,831**	11,087,912
Total equity		**31,786,032**	30,151,113
Non-current liabilities			
Deferred tax liabilities	9	**3,105,959**	3,155,166
Borrowings	10	**24,824,524**	24,743,932
Total non-current liabilities		**27,930,483**	27,899,098
Current liabilities			
Trade and other payables	11	**1,270,879**	527,556
Current tax liabilities		**87,848**	15,429
Total current liabilities		**1,358,727**	542,985
Total liabilities		**29,289,210**	28,442,083
Total equity and liabilities		**61,075,242**	58,593,196

The notes on pages 20 to 43 are an integral part of these financial statements.

The financial statements on pages 16 to 43 were authorised for issue by the Board on 26 April 2019 and were signed on its behalf by:

Joseph A. Gasan
Director

Mark Gasan
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2018 €	2017 €
Revenue	12	**3,787,822**	3,586,483
Interest payable	13	**(1,220,022)**	(1,223,677)
Gross profit		**2,567,800**	2,362,806
Change in fair value of investment property		**-**	851,268
Administrative expenses	14	**(360,992)**	(346,714)
Profit before tax		**2,206,808**	2,867,360
Tax expense	15	**(511,889)**	(631,560)
Profit for the year – total comprehensive income		**1,694,919**	2,235,800
Earnings per share	17	**1.21**	1.60

The notes on pages 20 to 43 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 2017		3,500,000	14,617,595	9,797,718	27,915,313
Comprehensive income					
Profit for the year		-	-	2,235,800	2,235,800
Other comprehensive income					
Investment property					
- as a result of changes in fair value	8	-	851,268	(851,268)	-
- deferred tax movement for the year	8	-	94,338	(94,338)	-
Total comprehensive income		-	945,606	1,290,194	2,553,800
Balance at 31 December 2017		**3,500,000**	**15,563,201**	**11,087,912**	**30,151,113**
Balance as at 1 January 2018 - as originally stated		3,500,000	15,563,201	11,087,912	30,151,113
Transition adjustment upon adoption of IFRS 9 on 1 January 2018		-	-	(60,000)	(60,000)
Balance as at 1 January 2018 - as restated		3,500,000	15,563,201	11,027,912	30,091,113
Comprehensive income					
Profit for the year		-	-	1,694,919	1,694,919
Total comprehensive income		-	-	1,694,919	1,694,919
Balance at 31 December 2018		**3,500,000**	**15,563,201**	**12,722,831**	**31,786,032**

The notes on pages 20 to 43 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2018 €	2017 €
Cash flows from operating activities			
Cash generated from operations	18	**1,716,549**	2,005,058
Interest paid		**(1,220,022)**	(1,219,231)
Tax paid		**(488,677)**	(599,114)
Net cash generated from operating activities		**7,850**	186,713
Cash flows from investing activities			
Additions of investment property		**(7,850)**	(92,113)
Net cash used in investing activities		**(7,850)**	(92,113)
Cash flows from financing activities			
Redemption of bond	10	**-**	(94,600)
Net cash used in financing activities		**-**	(94,600)
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 20 to 43 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 2018

In 2018, the Company adopted amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies and financial performance and position, except for IFRS 9 Financial Instruments.

The impact of the adoption of IFRS 9 Financial Instruments and the new accounting policies are disclosed below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

(a) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.The new accounting policies are set out in Note 1.6. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) Impact of adoption

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below, ignoring deferred tax impacts at the rate of 35% as at 1 January 2018.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

Statement of financial position (extract)	Based on 31 December 2017 - as originally stated €000	Impact of adoption of IFRS 9 €000	As at 1 January 2018 - restated €000
ASSETS			
Non-current assets			
Current assets			
Trade and other receivables	24,178	(60)	24,118
Total current assets	24,178	(60)	24,118
Total assets	58,593	(60)	58,533
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings	11,088	(60)	11,028
Total equity	30,151	(60)	30,091

(ii) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. No reclassification adjustments were deemed necessary such that the measurement basis of the financial assets are unchanged, prior to application of impairment requirements.

(iii) Impairment of financial assets

The Company's financial assets that are subject to IFRS 9's new expected credit loss model include trade receivables for sales of services, cash and cash equivalents and amounts receivable from related parties.

The Company was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed in the table in (i) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss allowance was insignificant.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2018. 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, except as disclosed below, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

IFRS 16 - 'Leases'

IFRS 16 was published in January 2016 and will be effective from 1 January 2019, replacing IAS 17 'Leases'. The Company does not expect to early-adopt the standard and so transition to IFRS 16 will take place on 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1. Summary of significant accounting policies - continued

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.

1.3 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. Summary of significant accounting policies - continued

1.6 Financial assets

Accounting policies applied subsequent to 1 January 2018

1.6.1 Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.6.2 Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.6.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1. **Summary of significant accounting policies** - continued

1.6 Financial assets - continued

1.6.3 Measurement - continued

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1.6.4 Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 1.10 for further details).

Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

1. **Summary of significant accounting policies** - continued

1.6 **Financial assets** - continued

1.6.5 Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. 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. They are included in current assets, except for maturities greater than twelve months after the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.8 and 1.9).

1.6.6 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions 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.

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. 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 expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.6.7 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Company 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.

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.

1. Summary of significant accounting policies - continued

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 performed 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 expected credit loss allowances. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is non-collectable it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

Impairment of financial assets is described in Note 1.6.4 (2017: 1.6.7).

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Impairment of financial assets is described in Note 1.6.4.

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. Summary of significant accounting policies - continued

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.

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.

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.

(b) Credit risk

Credit risk arises from loans and receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was:

	2018	2017
	€'000	€'000
Carrying amounts		
Trade and other receivables (Note 5)	**26,652,087**	24,177,891

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold any significant collateral as security in this respect. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and deferred expenditure.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Trade and other receivables

The Company assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Company's standard payment and service delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available. The Company monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Company's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Company's trade and other receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to contractual debts, these material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Company and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Company's trade and other receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect significant losses from non-performance by these customers.

Impairment of trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company adjusts the historical loss rates based on expected changes in these factors.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure f a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 180 days past due.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing th carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impaurment had been incurred but not yet been identified. For these receiavbles the estimated impairment losses were recognised in a separate provision for impairment.

The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Cash and cash equivalents

The Company principally banks with local financial institutions with high quality standing or rating.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Loans receivable from and amounts owed from group undertakings

The Company's receivables include loans receivable from group undertakings and other amounts owed from group undertakings (Note 5). The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Company liquidity management. The Company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Loans receivable from group undertakings are categorised as Stage 1 for IFRS 9 purposes (i.e performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12 month probability of default, capturing 12 month expected losses and hence are considered insignificant.

Since the other balances owed by group undertakings are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances amounted to €60,000.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(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.

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 €
31 December 2018					
Trade and other payables	673,324	673,324	673,324	-	-
Bond	24,824,524	26,118,422	-	1,220,022	24,898,400
Total	**25,497,848**	**26,791,746**	**673,324**	**1,220,022**	**24,898,400**

	Carrying amount €	Contractual cash flows €	On demand €	Due within one year €	Between 2 and 5 years €
31 December 2017					
Trade and other payables	527,556	527,556	527,556	-	-
Bond	24,743,932	27,338,443	-	1,220,022	26,118,422
Total	**25,271,488**	**27,865,999**	**527,556**	**1,220,022**	**26,118,422**

2.2 Fair values of financial instruments

At 31 December 2018 and 2017 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. Financial risk management - continued

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.

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	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**34,415,305**	33,471,924
Additions	**7,850**	92,113
Fair value gains (note 8)	**-**	851,268
At end of year	**34,423,155**	34,415,305
At 31 December		
Cost	**15,902,697**	15,894,847
Fair value gains	**18,520,458**	18,520,458
Net book amount	**34,423,155**	34,415,305

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

4. Investment property - continued

Fair value of investment property

A valuation of the Company's land and buildings was performed to determine the fair value of the land and buildings as at 31 December 2018 and 2017. Any revaluation surplus net of applicable deferred income taxes is credited to profit for the year and 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).

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	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**34,415,305**	33,471,924
Additions	**7,850**	92,113
Fair value movement of land and buildings	**-**	851,268
At end of year	**34,423,155**	34,415,305

Valuation processes

The valuations of the properties are carried out annually by the directors on the basis of past 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 directors. This includes a review of fair value movements over the period.

4. Investment property - continued

Fair value of investment property - continued

Valuation processes - continued

The board considers the valuation report as part of its overall responsibilities.

As at 31 December 2018, the fair values of the land and buildings have been determined by the directors on the basis of past valuation reports prepared by independent and qualified valuers.

Valuation techniques

For level 3 office buildings and airspace with a total carrying amount of €34,423,155 (2017: €34,415,305), 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)

			Range of significant unobservable inputs		
Description	**Fair value at 31 December 2018 and 2017**	**Valuation technique**	**Rental value €**	**Growth rate %**	**Capitalisation rates %**
Office buildings	€34,423,155	Future rental cash flows	€61 to €126 per square metre	1% to 4%	3% to 6%

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 capitalisation rates, the higher the fair value.

4. **Investment property** - continued

Fair value of investment property - continued

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

	2018	2017
	€	€
Cost	**15,902,697**	15,894,847
Accumulated depreciation	**(3,142,995)**	(3,026,001)
Net book amount	**12,759,702**	12,868,846

5. Trade and other receivables

	2018	2017
	€	€
Amounts owed from immediate parent company	**487,952**	451,271
Amounts owed from intermediate parent company	**15,580**	10,242
Amounts owed from fellow subsidiary	**2,453**	698
Loan to immediate parent company	**24,343,614**	22,587,454
Loan to intermediate parent company	**1,767,315**	1,023,634
Trade receivables	**35,173**	81,469
Indirect taxation	**-**	23,123
	26,652,087	24,177,891

The loan to intermediate parent company and immediate parent company is unsecured, bears interest at 7% (2017: 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.

Receivables disclosed in the table above are stated net of credit loss allowances amounting to €60,000 (2017: Nil).

With the adoption of IFRS 9 'Financial Instruments' as from 1 January 2018, the Company reviewed the requirements as prescribed in this standard in relation to its loans receivable from its immediate and intermediate parent companies. The board does not expect any loss to arise in respect of these loans. Nevertheless, the application of IFRS 9 requires the company to define a credit loss provision and this is being included within these financial statements.

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 2018 and 2017.

7. Share capital

	2018	2017
	€	€
Authorised, issued and fully paid		
1,400,000 ordinary shares of €2.50 each	**3,500,000**	3,500,000

8. Other reserve

	2018	2017
	€	€
Investment property fair value reserve		
Year ended 31 December		
At beginning of year	**15,563,201**	14,617,595
Fair value gain of investment property (note 4)	-	851,268
Deferred tax charge to profit or loss	-	94,338
At end of year	**15,563,201**	15,563,201

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

	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**3,155,166**	3,089,035
Charge to profit for the year (note 15)	**(49,207)**	66,131
At end of year	**3,105,959**	3,155,166

Deferred taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2017: 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 (2017: 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 (2017: €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.

9. Deferred tax liabilities - continued

The balance at 31 December represents:

	2018 €	2017 €
Temporary differences on investment property	**3,101,102**	3,101,102
Temporary differences on bond issue costs	**25,857**	54,064
Temporary differences on credit loss allowance	**(21,000)**	-
	3,105,959	3,155,166

10. Borrowings

	2018 €	2017 €
Non-current		
Bonds (note a)	**24,824,524**	24,743,932
Total non-current borrowings	**24,824,524**	24,743,932

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

	2018 €	2017 €
Proceeds		
24,898,400 (2017: 24,898,400) 4.9% bonds 2019/2021	**24,898,400**	24,898,400
Issue costs	**483,552**	483,552
Accumulated amortisation	**(409,676)**	(329,084)
	73,876	154,468
Amortised cost and closing carrying amount of the bonds	**24,824,524**	24,743,932

In 2017, the Company re-purchased and subsequently cancelled €94,600 of the outstanding bonds.

The quoted market price as at 31 December 2018 for the 4.9% bonds 2019/2021 was €102.70 (2017: €102.51).

11. Trade and other payables

	2018	2017
	€	€
Current		
Capital and other payables	**407,645**	242,814
Interest payable	**88,798**	90,652
Accruals and deferred income	**717,865**	194,090
Indirect taxation	**56,871**	-
	1,270,879	527,556

12. Revenue

	2018	2017
	€	€
Rental income from investment property	**1,853,218**	1,771,603
Interest income	**1,924,622**	1,799,880
Other income	**9,982**	15,000
	3,787,822	3,586,483

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

13. Interest payable

	2018	2017
	€	€
Interest expense on bonds	**1,220,022**	1,223,677
	1,220,022	1,223,677

14. Expenses by nature

	2018	2017
	€	€
Amortisation of bonds issue costs	**80,592**	80,592
Administration and other charges	**224,828**	226,359
Investment property expenses	**40,652**	26,119
Professional fees	**14,920**	13,644
Total administrative expenses	**360,992**	346,714

14. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2018 and 2017 relate to the following:

	2018	2017
	€	€
Annual statutory audit	**6,300**	6,000
Tax advisory and compliance services	**1,395**	885
	7,695	6,885

15. Tax expense

	2018	2017
	€	€
Current tax expense	**561,096**	565,429
Deferred tax (credit)/expense (note 9)	**(49,207)**	66,131
	511,889	631,560

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

	2018	2017
	€	€
Profit before tax	**2,206,808**	2,867,360
Tax at 35%	**772,383**	1,003,576
Tax effect of:		
Expenses not deductible for tax purposes	**8,059**	9,142
Maintenance allowance claimed on rented property	**(66,279)**	(106,663)
Changes in fair value of investment property	**-**	(297,944)
Temporary differences re effect of change in taxation of investment property	**-**	94,338
Income subject to tax at reduced rates	**(181,274)**	(53,320)
Deferred tax in respect of expected credit loss allowances on receivables recognised upon adoption of IFRS 9	**(21,000)**	-
(Over)/under provision in prior years	**-**	(17,569)
Tax expense	**511,889**	631,560

16. Director's emoluments

	2018 €	2017 €
Fees	**8,900**	4,900

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.

	2018	2017
Profit attributable to equity holders of the Company (€)	**1,699,533**	2,235,800
Weighted average number of ordinary shares in issue	**1,400,000**	1,400,000
Earnings per share (€)	**1.21**	1.60

18. Cash generated from operations

	2018 €	2017 €
Profit before tax	**2,206,808**	2,867,360
Adjustments for:		
Amortisation of bond issue costs	**80,592**	80,592
Interest expense	**1,220,022**	1,223,677
Change in fair value of investment property (note 4)	**-**	(851,268)
Changes in working capital:		
Advances (from)/to group companies	**(2,379,626)**	(1,319,126)
Trade and other receivables	**9,419**	(17,458)
Trade and other payables	**579,334**	21,281
Cash generated from operations	**1,716,549**	2,005,058

19. Commitments

Operating lease commitments – where the Company is the lessor

The future minimum rent receivable is as follows:

	2018 €	2017 €
No later than 1 year	**1,747,170**	1,817,575
Later than 1 year and no later than 5 years	**3,273,000**	4,981,456
	5,020,170	6,799,031

The above operating lease commitments include rent charged to Gasan Properties Limited. During the year ending 31 December 2018, Gasan Properties Limited assigned its right to receive rent from its sub-lease agreements with third parties, to the Company. 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.

The following transactions were also carried out with related parties:

	2018 €	2017 €
Revenue – parent company and fellow subsidiary		
Rental income and interest income on loans	**2,866,707**	3,323,213
Expenses – parent company		
Administration fee	**150,000**	150,000
Expenses – fellow subsidiaries		
Administration and management fees	**28,000**	28,000
Insurance and other expenses	**11,659**	11,054
Property related expenses	**19,286**	12,163

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.