GILLIERU INVESTMENTS P.L.C.

Annual Report and Financial Statements 31 December 2018

Company Registration Number C 86682

GILLIERU INVESTMENTS P.L.C.

Annual Report and Financial Statements 31 December 2018

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Audit/SG/sb

The directors present the annual report together with the audited financial statements of the Company for the period ended 31 December 2018.

Principal Activities

The Company's principal activity is to carry on the business of a finance and holding company.

Performance Review

The Company was incorporated on 14 June 2018. Consequently, these financial statements have been prepared for the 7 month period, from date of incorporation to 31 December 2018.

During such period, the Company did not generate any income. Accrued interest on bonds amounted to €20,451. The Company's loss after taxation amounted to €26,725.

The directors expect the present level of activity to be improved in the foreseeable future.

Position Review

The Company's asset base amounted to €8,270,609 as at 31 December 2018.

The Company's main asset relates to the investment in subsidiary amounting to €7,110,104.

The Company's main liabilities are made up of €5,000,000 4.75% Secured Bonds 2028.

Dividends and Reserves

The accumulated losses of the Company at the end of the period amounted to €26,725. The directors do not recommend the distribution of a dividend and propose to charge the loss for the period to reserves.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including credit risk, interest rate risk and liquidity risk. These are further analysed in Note 19 to these financial statements.

Events Subsequent to the Statement of Financial Position Date

There were no particular important events affecting the Company which occurred since the end of the accounting period.

Future Developments

The directors intend to continue to operate in line with the current business plan.

Directors

Mr. Stephen Cremona (Executive and Chairman)

Ms. Stephanie Cremona (Executive)

Mr. Karl Cremona (Non-Executive)

Mr. George Micallef (Non-Executive)

Mr. Alfred Grech (Non-Executive)

The Board meets on a regular basis to discuss the Company's financial performance, financial position and other matters relating to the Company. The Company's Articles of Association do not require any director to retire.

Statement of Directors' Responsibilities

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

In preparing the financial statements, the directors are required to: -

- ensure that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable in the circumstances;
- adopt the going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Maltese Companies Act, (Cap 386). The directors 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 Gillieru Investments p.lc. for the period ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and will 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

The auditors, Horwath Malta, have expressed their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the annual general meeting.

Additional disclosures

Going Concern

After making enquiries and taking into consideration future plans as explained in Note 2, the directors have a reasonable expectation that the Company has adequate resources to continue in operating existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing financial statements.

Principal risks and uncertainties associated with the Company

The Company's main objective is that of a finance and holding company. Given that the Company does not carry out any trading activities, it is economically dependent on the business prospects of the group, the operations of which are the ownership, management and operation of the Gillieru Harbour Hotel and Restaurant located in St. Paul's Bay, Malta. As a matter of fact, the Company is dependent on the dividend income from its group companies. The dividends receivable from the group companies depends on the profitability of the group companies.

In this respect, during the year 2018 there was change in ownership of the group whereby Mr. Stephen Cremona acquired 83.5% controlling interest in the new ownership structure. In the previous ownership and operating structure, he only held a 33% minority interest. This change in ownership structure, enabled the group to pursue significant changes in operational and investment strategies one of which related to the upgrading and extension of the operational assets.

Management believes that the new operational model being adopted by the new owners, resulting in the maximum exploitation of the potential of Gillieru property, will lead itself to a significant increase in turnover and a material improvement in the profitability of operations.

A detailed review of the risk management policies adopted by the Company is included in Note 19 to these financial statements.

Share Capital Structure

The Company's authorised and issued share capital is €47,000 divided into 47,000 Ordinary Shares of €1 each.

Holdings in excess of 5% of Share Capital

On the basis of information available to the Company, as at 31 December 2018, Stephen Cremona Holdings Limited held 46,999 shares in the Company which is equivalent to 99.998% of its total issued share capital.

There are no arrangements in place as at 31 December 2018, the operation of which may at a subsequent date result in a change in control of the Company.

Appointment and removal of directors

Appointment of directors shall be made at the Annual General Meeting of the Company.

An election of the directors shall take place every year at the Annual General Meeting of the Company. All directors shall retire from office once at least every three years but shall be eligible for re-election.

Appointment and removal of directors (continued)

A director shall hold office until he resigns or may be removed before the expiration of his period of office by a resolution taken at a general meeting of the Company and passed by a member or members having the right to attend and vote, holding in the aggregate shares entitling the holders thereof to more than fifty percent of the voting rights attached to shares represented and entitled to vote at the meeting.

Powers of the Directors

The management and administration of the Company is vested in the Board of Directors. The powers of Board members are contained in Article 12 of the Company's Articles of Association. There are no provisions in the Company's Memorandum and Articles of Association regulating the retirement or non-retirement of directors over an age limit.

Directors' Interests

As at 31 December 2018, the non-Executive directors and the Executive director Ms. Stephanie Cremona have no beneficial interest in the share capital of the Company. However, the executive director Mr. Stephen Cremona, has an indirect beneficial interest in the share capital of the company through his shares in Stephen Cremona Holdings Limited, who is the ultimate beneficial owner of the Group.

Contracts with Board Members and Employees

The Company does not have service contracts with any of its Board Members.

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board of Directors and signed on its behalf by:

Mr. Stephen Cremona

Director

Ms. Stephanie Cremona

Director

Registered Address:

The Gillieru Harbour Hotel Church Street, St. Paul's Bay Malta

25 March 2019

Corporate Governance – Statement of Compliance 31 December 2018

The Code adopted by the Company

Gillieru Investments p.l.c. (the 'Company') supports the Prospect Rules in their entirety and the stipulations of the said rules in relation to dealing restrictions.

The Company also supports The Code of Principles of Good Corporate Governance annexed to the Listing Rules (the 'Code'). The Company is required by the Prospects Rules to include, in the Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Company has adopted the Code and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditor.

Compliance with the Code

The Board of Directors (the 'Board') of the Company believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendation. The Company has issued Bonds to the public and has no employees, accordingly some of the provisions are not applicable whilst others are applicable to a limited extent.

The Board

The Board sets the strategy and direction of the Company and retains direct responsibility for appraising and monitoring the Company's financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company so as to protect the interests of Bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the Prospect Rules.

Chairperson and Chief Executive Officer

Due to the size structure of the Company and the nature of its operations, the Company does not employ a Chief Executive Officer (CEO). This function is undertaken by the Executive Directors.

The day to day running of the business is vested with the Executive Directors of the Company.

The Chairman is responsible for:

- leading the Board and setting its agenda;
- ensuring 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;
- encouraging active engagement by all members of the board for discussion of complex or contentious issues.

Corporate Governance – Statement of Compliance 31 December 2018

Board Composition

As at 31 December 2018, the Board consists of two executive directors and three non-executive directors, two of whom are independent, as follows:

Mr. Stephen Cremona - Executive Director and Chairman

Ms. Stephanie Cremona - Executive Director

Mr. Karl Cremona - Non-Executive Director

Mr. George Micallef - Independent, Non-Executive Director

Mr. Alfred Grech – Independent, Non-Executive Director

Internal Control

The Board is responsible for the internal control system of the Company and for reviewing its effectiveness. The internal control system is designed to achieve business objectives and to manage the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses and fraud.

Systems and procedures are in place to control, monitor, report and assess risks and their financial implications.

Attendance to Board Meetings

During the year under review, no formal board meetings were held since there was no activity in the Company until mid-November i.e. when the bonds were issued for subscription. The first board meeting was held in February 2019.

Committees

The Board does not consider it necessary to appoint a committee to carry out performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

The Board considers that the size and operation of the Company does not warrant the setting up of nomination and remuneration committees. Appointments to the Board are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Company considers that the members of the Board possess level of skill, knowledge and experiences expected in terms of the Code.

Audit Committee

The terms of reference of the Audit Committee consists of supporting the Board in their responsibilities in dealing with issues of risks, control and governance and associated assurance.

The Board set formal rules of engagement and terms of reference of the Audit Committee that establish its composition, role and function, the parameter of its remit and the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the respective board and is directly responsible and accountable to the respective board. The Board reserves the right to change the Committee's terms of reference from time to time.

Corporate Governance – Statement of Compliance 31 December 2018

Audit Committee (continued)

The Audit Committee has the role to deal with and advise the Board on:

- the monitoring over the financial reporting processes, financial policies, internal control structures and audit of annual financial statements:
- the monitoring of the performance of the entity borrowing funds from the Company;
- maintaining communication on such matters between the board, management and independent auditors;
- facilitating the independence of the external audit process and addressing issues arising from the audit process and;
- preserving the company's assets by understanding the Company's risk environment and determining how to deal with such risks.

The Audit Committee also has the role and function of considering and evaluating the arm's length nature of proposed transactions to be entered into by the Company and a related party.

The Malta Stock Exchange reviewed the Committee's Terms of Reference as part of the admission process with respect to the Bonds issued by the Company.

The Members of the Audit Committee

The Audit Committee is presently composed of:

Mr. Alfred Grech (Chairman of the Audit Committee)

Mr. George Micallef

Mr. Karl Cremona

Mr. Alfred Grech and Mr. George Micallef act as independent, non-executive members of the Committee. The Audit Committee is chaired by Mr. Alfred Grech, whilst Mr. George Micallef and Mr. Karl Cremona act as members. In compliance with the Prospect Rules, Mr. Alfred Grech is an independent, non-executive director. The Company believes that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof.

The Directors believe that the current set-up is sufficient to enable to Company to fulfil the objective of the Prospect Rules' terms of reference in this regard.

During the period under review, no audit Committee meetings were held.

Remuneration Statement

Pursuant to the Company's Articles of Association, the maximum aggregate emoluments that may be paid to directors are approved by the shareholder in a general meeting. No remuneration was paid to directors during the year under review.

None of the directors is employed or has a service contract with the Company.

Corporate Governance -Statement of Compliance 31 December 2018

Relations with bondholders and the market

The Company publishes annual financial statements and when required company announcements. The Board feels these provide the market with adequate information about its activities.

Conflict of interests

On joining the Board and regularly thereafter, directors and officers of the Company are informed and reminded of their obligations on dealing in securities of the Company within the parameter of law and subsidiary legislation, and the Prospect Rules.

Corporate Social Responsibility

The directors are committed to high standards of ethical conduct and to contribute to the development of the local community and society at large.

Signed on behalf of the Board of Directors on 25 March 2019 by:

Mr. Alfred Grech Director and Chairman of the

Audit Committee

Director

Joma

Mr. Stephen Cremona

Ms. Stephanie Cremona

Director



Horwath Malta
Member Crowe Global

La Provvida, Karm Zerafa Street, Birkirkara BKR 1713, Malta Main +356 2149 4794/2 www.crowe.mt

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gillieru Investments p.l.c.

Report on the Audit of the Financial Statements

We have audited the financial statements of Gillieru Investments p.l.c. (the Company), set out on pages 14 to 32, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company, as at 31 December 2018 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs), as modified by Article 173 of the Maltese Companies Act (Cap 386) and have been properly prepared in accordance with the requirements of the said Act.

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 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of financial statements for 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 Matters (continued)

Investment in subsidiary

Investment in subsidiary represents the capitalisation of part of the bond issue proceeds utilised by the subsidiary company to acquire the property and the ancillary business from the original ownership structure. In addition, it also represents the capitalisation of dividend receivable by parent company that was assigned to the Company, which amount is utilised as additional capital in the subsidiary company.

How the scope of our audit responded to the risk

We have ensured that the Company has adhered to the proposed business plan. We have also reviewed the necessary assignment of debt and novation agreements to ensure that these are recorded appropriately.

Findings

We concur with management's view with respect to the valuation of the investment in subsidiary.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report. Our opinion on the financial statements does not cover this information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether 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 period 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. 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 with International Financial Reporting Standards as adopted by the EU, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Prospect Rules issued by the Malta Stock Exchange require 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 Prospect Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.



Report on Other Legal and Regulatory Requirements (continued)

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 5 to 8 has been properly prepared in accordance with the requirements of the Prospect Rules issued by the Malta Stock Exchange.

Other matters on which we are required to report by exception

Under Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- 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 nothing to report to you in respect of these responsibilities.

John Abela (Partner) for and on behalf of

Horwath Malta Member of Crowe Global

La Provvida Karm Zerafa Street Birkirkara BKR1713 Malta

25 March 2019

GILLIERU INVESTMENTS P.L.C. Statement of Comprehensive Income For the period ended 31 December 2018

	Notes	7 months to 31 Dec 2018 €
Finance costs	5	(21,272)
Administrative expenses		(5,453)
Loss before Income Tax	6	(26,725)
Income taxation	7	<u> </u>
LOSS FOR THE PERIOD		(26,725)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(26,725)
Loss per share (cents)	18	(56c8)

Statement of Financial Position As at 31 December 2018

ASSET Non-Current Assets	Notes	2018 €
Investment in subsidiary	8	7,110,104
Loans receivable	9	485,214
		7,595,318
Current Assets		
Cash and cash equivalents		675,291
Total Assets		8,270,609
EQUITY AND LIABILITIES Capital and Reserves		
Called up issued share capital	10	47,000
Other equity Accumulated losses	11 12	2,851,750 (26,725)
		2,872,025
Non-Current Liabilities		
Interest bearing borrowings Other borrowings	13	4,902,331
Other borrowings	14	470,354
		5,372,685
Current Liabilities		
Trade and other payables	15	25,899
Total Equity and Liabilities		8,270,609

The financial statements on pages 14 to 32 were approved by the Board of Directors on 25 March 2019 and were signed on its behalf by:

Mr Stephen Cremona

Director

Ms. Stephanie Cremona

Director

GILLIERU INVESTMENTS P.L.C. Statement of Changes in Equity For the period ended 31 December 2018

	Share Capital	Other Equity	Accumulated Losses	Total
	€	€	€	€
Issue of share capital	47,000			47,000
Capital contribution from parent company		2,851,750	<u>-</u>	2,851,750
Loss for the period		_	(26,725)	(26,725)
Total comprehensive loss for the period			(26,725)	(26,725)
Balance at 31 December 2018	47,000	2,851,750	(26,725)	2,872,025

Statement of Cash Flows For the period ended 31 December 2018

	Note	2018 €
Operating Activities		
Loss for the period before taxation <i>Adjustment for:</i>		(26,725)
Amortisation of bond issue costs		821
Finance costs		20,451
		(5.453)
Working capital changes:		(5,453)
Movement in trade and other payables		5,448
N. G. I. W. G. H. J. J. J.		
Net Cash used in Operating Activities		(5)
Investing Activities		
Issue of share capital		47,000
Acquisition of investment		(7,110,104)
Net Cash generated from Investing Activities		(7,063,104)
The Cash generated from investing retivities		(7,000,100)
Financing Activities		
Net proceeds from bond issue		4,901,510
Capital contribution from parent company		2,851,750
Advances to subsidiary company		(146,984) 132,124
Net advances from ultimate shareholder		132,124
Net Cash generated from Financing Activities		7,738,400
Movement in Cash and Cash Equivalents		675,291
Cash and cash equivalents at beginning of period		
Cash and Cash Equivalents at End of Period	16	675,291

1. General Information

Gillieru Investments P.L.C. (the "Company") is a limited liability company domiciled and incorporated in Malta.

2. Basis of Preparation

Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Maltese Companies Act, (Cap 386) enacted in Malta, which require adherence to International Financial Reporting Standards as adopted by the EU (EU IFRSs).

International Financial Reporting Standard 10, Consolidated Financial Statements, requires a parent company to prepare consolidated financial statements in which it consolidates its investment in subsidiary. However, the Company has availed itself of the exemptions set out in Section 173 of the Maltese Companies Act and accordingly consolidated financial statements covering the Company and its subsidiary have not been drawn up.

These financial statements therefore represent the separate financial statements of the Company, in accordance with International Accounting Standard 27, Separate Financial Statements, in which the investment is accounted for on the basis of the direct equity interest, rather than on the basis of the reported results and net assets of the investees.

Reporting period

The Company was incorporated on 14 June 2018. Consequently, these financial statements have been prepared for the 7 month period, from date of incorporation to 31 December 2018.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Going concern

The Company's principal activity is to act as a finance and holding company. The Company in itself does not have substantial assets and is a special purpose vehicle set up to act as the holding and finance company for the Gillieru Group. Since the Company does not carry out any trading activities itself, it is economically dependent on the business prospects of the Group, the core operations of which are the ownership, management and operation of the Gillieru Harbour Hotel and Restaurant located in St. Paul's Bay, Malta.

In preparing these financial statements, the directors of the Company made reference to the anticipated revenue streams which are expected to be generated over the years from the operations of the hotel and the restaurant. During the year 2018, there was a change in ownership of the Group. The change in ownership enabled the Group to pursue significant changes in operations and investment strategies, which included the general upgrade of the property of the Group. Given the improvements to the operations and investments strategies for the next years, the directors consider it appropriate to prepare these financial statements on a going concern basis.

2. Basis of Preparation (continued)

Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with EU IFRSs, requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies (refer to Note 5 – Critical accounting estimates and judgements).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant Accounting Policies

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

Finance costs

Finance costs are recognised in profit or loss for all interest-bearing instruments on a time-proportionate basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the Company's borrowings. Finance costs are recognised as they accrue.

Income taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. Significant Accounting Policies (continued)

Income taxation (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Financial instruments

Recognition and measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant component is measured at transaction price.

Classification and subsequent measurement

i. Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) (debt investment), FVOCI (equity instrument) or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved both by collecting contractual cash flows and:
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

A financial asset is measured at FVOCI if it meets both the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduced an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed, and information is provided to management. The information considered included:

- history of the Company's bad debts
- liquidity position of inter-companies

Assessment whether contractual cashflows are SPPI

For the purpose of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised through profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

ii. Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfer the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant Accounting Policies (continued)

Impairment

Non-derivative financial assets

Financial assets not classified as at FVTPL are assessed at each reporting date to determine whether there is objective evidence of impairment.

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward looking information.

12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months).

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Cash and cash equivalents

Cash comprises demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

3. Significant Accounting Policies (continued)

Investment in subsidiary

Investment in subsidiary is accounted for by the cost method of accounting.

Provision are recorded where, in the opinion of the director, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recorded as an expense in the period in which the impairment is identified.

The result of the subsidiary are reflected in these financial statements only to the extent of dividend receivable.

On disposal of an investment, the difference between the net disposal proceeds and carrying amount is charge or credited to the income statements.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

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 the dividends are approved by the Company's shareholders.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

5. Finance Costs

	7 months to 31 Dec 2018 €
Interest payable on bonds Amortisation of bonds issue costs	20,451 821
	21,272

Current tax expense

Notes to the Financial Statements For the period ended 31 December 2018

6.	Loss before Income Tax	
	This is stated after charging the following:	7 months to 31 Dec 2018 €
	Audit fee	2,500
	The total remuneration paid to the Company's auditors during the year amounts:	7 months to 31 Dec 2018 €
	Annual statutory audit fees Other non - audit services	2,500 1,366
7.	Income Taxation	7 months to 31 Dec 2018 €

No provision for current taxation has been made in these financial statements since no taxable income was generated during the current year.

7 months to

2018

Notes to the Financial Statements For the period ended 31 December 2018

7. Income Taxation (continued)

The tax and the result of accounting loss multiplied by the statutory income tax rate are reconciled as follows:

	31 Dec 2018 €
Loss before taxation	(26,725)
Tax at the applicable statutory rate of 35%	(9,354)
Tax effect of:	
Disallowable expenses	9,354
Tax credit	
Investment in Subsidient	

8. Investment in Subsidiary

	€
Year ended 31 December	
Additions	7,110,104
Closing net book value	7,110,104
As at 31 December	
Cost and carrying amount	7,110,104

The investment in subsidiary represents the capitalisation of part of the bond issue proceeds that are utilised by the subsidiary company to acquire the Gillieru property and the ancillary business from the original ownership structure. In addition, it represents the capitalisation of dividends receivable by the parent company that was assigned to the Company, which amount is utilised as additional capital in subsidiary company.

8. Investment in Subsidiary (continued)

The principal subsidiary undertaking which is unlisted at 31 December 2018 is shown below:

-	Registered Office	Principal Activity	Percentage of 2018
Gillieru Holdings Ltd	296, Northern Star, Triq San Pawl, St. Paul's Bay	Leasing Property	84%

9. Loans Receivable

	2018 €
Loan receivable from subsidiary company Loan receivable from ultimate beneficial owner	146,984 338,230
	485,214

Loans receivable relate to the transfer of funds to subsidiary and ultimate beneficial owner.

Loans receivable from subsidiary and ultimate beneficial owner are unsecured, interest free and have no fixed date for repayment but are not envisaged to be paid within the next twelve months.

At 31 December 2018, these financial assets were fully performing and hence do not contain impaired assets.

10. Share Capital

	2018
Authorised, Issued and Fully Paid Up 47,000 ordinary shares of €1 each	€
	47,000

11. Other Equity

This amount represents capital contribution from the immediate and ultimate parent company and is unsecured, interest free and repayable exclusively at the option of the Company.

12. Accumulated Losses

This represents accumulated losses. During the period under review, no dividends were paid out.

13. Interest Bearing Borrowings

	2018
Non-current	€
5,000,000 4.75% Secured Bonds 2028	4,902,331
Bonds outstanding (face value)	5,000,000
Gross amount of bond issue costs	(98,490)
Amortisation of gross amount of bond issue costs:	
Amortisation charge for the year	821
Unamortised bond issue costs	(97,669)
Amortised cost and closing carrying amount	4,902,331

Interest on the 4.75% Secured Bonds 2028 is payable annually in arrears, on 30 November of each year.

The bonds constitute the general, direct, unconditional obligation of the Company and shall be secured by means of the Collateral granted in terms of the pledge agreement. The bonds shall rank with priority in relation to other unsecured debt of the Company, if any.

14. Other Borrowings

2018 €

Amounts due to utlimate beneficial owner

470,354

Amounts due to ultimate beneficial owner are unsecured, interest free and have no fixed date for repayment but are not envisaged to be repaid within the next twelve months.

15. Trade and Other Payables

2018

Trade payables
Accrued expenses

1,116 24,783

25,899

16. Cash and Cash Equivalents

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

2018

€

Cash at bank

675,291

17. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company forms part of the Stephen Cremona Holdings Group of Companies. All companies forming part of the Stephen Cremona Holdings Group are related parties since these companies are ultimately owned by Stephen Cremona Holdings Limited.

Trading transactions between these companies include items which are normally encountered in a group context. The Group is ultimately owned by Mr. Stephen Cremona, who is therefore considered to be a related party.

The Company is a subsidiary of Stephen Cremona Holdings Limited who is the immediate and ultimate parent company. The registered address of the parent company is Gillieru Harbour Hotel, Church Street, St. Paul's Bay.

GILLIERU INVESTMENTS P.L.C.

Administration Expenses
For the period ended 31 December 2018

Schedule 1

	2018 €
Audit fee	2,500
Professional fees	1,832
Formation fees	1,116
Bank charges	5
	5,453