

GASAN GROUP LIMITED

**Annual Report and Consolidated
Financial Statements
31 December 2017**

	Pages
Directors' report	1 - 4
Independent auditor's report	5 - 8
Statements of financial position	9 - 10
Income statements; Statements of comprehensive income	11 - 12
Technical account - General business of insurance	13
Statements of changes in equity	14 - 16
Statements of cash flows	17
Notes to the consolidated financial statements	18 - 97

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

Principal activity

The Company's activity is the holding of investments in subsidiaries and associates forming the Gasan Group and the provision of finance and management services to these Group companies.

The Group is engaged in the operation of motor vehicle dealerships and related services, the provision of insurance services, the holding of property for development and renting as well as the provision of electrical and mechanical engineering contracting services, including the installation of lifts and air conditioners.

In addition, the Group holds a number of non-current, available for sale investments in companies operating in various industries including telecommunications and property development.

Review of the business

Group results

The Group's profit before tax amounted to €20,381,323 (2016: €14,625,556). The net result of the statement of comprehensive income amounts to €15,136,911 (2016: €8,158,815). The directors expect the operations of the Group to continue performing well.

The Group regularly assesses the value of its investments and property and accounts for the movement in fair values in accordance with International Financial Reporting Standards. During the year ended 31 December 2017, the Group recognised an increase in the fair value of investment property amounting to €9,163,865 (2016: increase €336,751).

Company results

The Company registered a profit after tax of €1,234,803 for the year ended 31 December 2017 (2016: €3,416,010). The Company's results are highly dependent on dividends received from Group companies.

Risk assessment

The Group is exposed to risks inherent to the various business sectors and environments 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 Group. The directors believe that the strategic risk of the Group is being effectively controlled through:

- the selection of the business sectors in which the Group operates;
- board oversight of the business operations;
- the periodic review of the investments held by the Group;
- the ongoing monitoring of the development of Group properties;
- the close monitoring of inventories and receivables levels;

Directors' report - continued

(ii) Operational risk

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

(a) Automotive

The main operational risks of the Group's automotive interests are changes to the market size, competitor activity and changes to the legislative framework, as well as competition from used vehicle imports.

(b) Insurance and Financial Services

The main insurance sector risk relate to claims arising from insured events and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. Financial risk arises from the deployment of the Group's insurance sector investment portfolio,

The insurance risks are managed through the Group's underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Financial portfolio risks are managed through the adoption of appropriate asset allocation models and the appointment of qualified and experienced investment managers.

(c) Building Services Solutions

Operational risk in this business sector can be subdivided into three:

- execution risk, which may expose the Group to financial loss and/or charges in the event of any departure from the pre-defined project costs and delivery timeframes;
- contractual risk pertaining to the projects undertaken, whereby the underlying company needs to adhere to the contracted project delivery dates, technical specifications and obligations;
- compliance risk, which may expose the underlying company, and ultimately the Group, to regulatory sanctions, material financial loss or loss to reputation as a result of its failure to comply with industry standards, specific laws and regulations.

(d) Properties

In view of the current commercial rental market prevalent in Malta, the directors consider that the current operational risk of the underlying companies to be relatively low. The Group further manages its property risk through the careful selection of projects in which it invests.

The directors consider that the operational risks of the Group are being addressed through the direct oversight of board members of the various operations of the Group.

(iii) Financial risk

The Group'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 Group's financial risk is disclosed in notes 2 and 3 to the financial statements.

Directors' report - continued

Results and dividends

The statements of comprehensive income are set out on pages 11 and 12. During 2017, the Company paid final dividend of €3,000,000 (2016: €3,500,000).

Directors

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

Joseph A. Gasan
Michael Soler
Sylvia Trapani Galea Feriol
Mark Gasan
Roderick E. D. Chalmers (resigned on 1 January 2018)

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, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent Company as at the end of each reporting period and of the profit or loss for that period.

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 Group and the parent 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, 1995. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report - continued

Auditors

The 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.



Joseph A. Gasan
Chairman

Registered office:
Gasam Centre
Mriehel By-Pass
Mriehel
Malta

30 May 2018



Mark Gasan
Director



Independent auditor's report

To the Shareholders of Gasan Group Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Gasan Group Limited's group and parent company financial statements (the "financial statements") give a true and fair view of the group and the parent company's financial position as at 31 December 2017, and of the group's and parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of Maltese Companies Act (Cap. 386).

What we have audited

Gasan Group Limited's financial statements, set out on pages 9 to 97, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2017;
- the consolidated and parent company income statements and statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements 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 group and the parent company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Independent auditor's report - continued
To the Shareholders of Gasan Group Limited

Other information

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

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

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

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

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

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

In addition, in light of the knowledge and understanding of the group 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 group's and the parent 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 group or the parent company, or to cease operations, or has no realistic alternative but to do so.

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



Independent auditor's report - continued

To the Shareholders of Gasan Group Limited

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 group's and the parent 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 group's or the parent 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 group or the parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



Independent auditor's report - continued

To the Shareholders of Gasan Group Limited

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.

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.

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

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in black ink, appearing to read 'Simon Flynn'.

Simon Flynn
Partner

30 May 2018

Statements of financial position

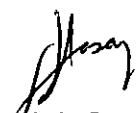
		At 31 December			
		Group		Company	
Notes		2017	2016	2017	2016
		€	€	€	€
ASSETS					
Non-current assets					
	5	647,978	647,978	-	-
	6	24,536,029	24,652,873	52,771	53,152
	7	45,581,254	37,225,389	-	-
	8	-	-	15,980,960	15,980,960
	9	44,146,058	32,181,742	258,750	1,369,110
	10	8,694,451	8,722,104	22,578,435	22,458,483
		123,605,770	103,430,086	38,870,916	39,861,705
Other non-current assets					
	18	563,895	1,091,480	17,112	17,112
	13	8,331,295	8,191,227	-	-
		8,895,190	9,282,707	17,112	17,112
Insurance company					
	11	33,776,752	28,076,108	-	-
	7	10,515,358	7,813,455	-	-
	33	5,639,335	9,440,092	-	-
		49,931,445	45,329,655	-	-
Total non-current assets		182,432,405	158,042,448	38,888,028	39,878,817
	20	1,360,758	1,096,616	-	-
Current assets					
	12	14,827,328	13,832,724	-	-
	12	3,500,000	3,669,873	-	-
	13	25,076,495	27,618,900	4,889,820	11,431,007
		2,319,248	2,226,867	1,692,000	1,665,909
	14	3,401,450	3,072,804	-	-
	33	572,930	464,447	2,305	2,257
Total current assets		49,697,451	50,885,615	6,584,125	13,099,173
Total assets		233,490,614	210,024,679	45,472,153	52,977,990

Statements of financial position - continued

		At 31 December			
Notes	Group	2016	Company	2016	
	2017	2016	2017	2016	
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	15	1,327,046	1,327,046	1,327,046	
Revaluation reserve	16	16,536,817	16,037,700	-	
Other reserves	17	28,658,622	22,404,001	926,914	
Retained earnings		53,521,293	51,170,095	18,661,507	
		100,043,778	90,938,842	20,915,467	
Non-controlling interests		13,604,286	11,545,505	-	
Total equity		113,648,064	102,484,347	22,680,664	
Non-current liabilities					
Deferred tax	18	8,123,574	7,061,070	-	
Borrowings	19	30,743,932	24,757,940	6,000,000	
Total non-current liabilities		38,867,506	31,819,010	6,000,000	
Insurance company					
Technical provisions	20	35,545,949	31,356,103	-	
Current liabilities					
Trade and other payables	21	20,220,748	20,006,986	14,319,438	
Borrowings	19	24,704,226	22,994,467	4,237,248	
Current tax liabilities		504,121	1,363,766	-	
Total current liabilities		45,429,095	44,365,219	18,556,686	
Total liabilities		119,842,550	107,540,332	24,556,686	
Total equity and liabilities		233,490,614	210,024,679	45,472,153	

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 97 were authorised for issue by the Board on 30 May 2018 and were signed on its behalf by:


Joseph A. Gasan
Chairman


Mark Gasan
Director

Income statements; Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
Notes		2017 €	2016 €	2017 €	2016 €
	Revenue	22	53,051,677	60,961,857	-
	Cost of sales	23	(46,631,481)	(57,245,423)	-
			6,420,196	3,716,434	-
	Contribution from insurance operations (page 13)		7,122,510	6,096,428	-
	Gross profit		13,542,706	9,812,862	-
	Distribution costs	23	(279,799)	(273,159)	-
	Administrative expenses	23	(3,862,906)	(4,176,338)	(1,431,074)
	Other income – net		1,147,885	1,077,611	856,960
	Income from investment property	25	9,477,727	521,985	-
	Operating profit/(loss)		20,025,613	6,962,961	(314,015)
	Investment and other related income	26	1,922,358	2,479,211	3,539,161
	Profit on sale of available-for-sale financial assets		-	5,765,082	-
	Finance income	27	1,139,931	711,600	360,798
	Finance costs	28	(2,232,866)	(2,155,326)	(1,651,195)
	Profit before impairment and before share of results of associates		20,855,036	13,763,528	1,934,749
	Share of results of associates	9	(473,713)	862,028	-
	Profit before tax		20,381,323	14,625,556	1,934,749
	Tax expense	29	(4,991,016)	(5,298,864)	(699,946)
	Profit for the year		15,390,307	9,326,692	1,234,803
	Other comprehensive income:				
	Share of associate's reserve				-
	- Surplus arising on revaluation of land and buildings, net of deferred tax	16	499,117	1,690,195	-
	- Fair value movement on hedging reserve, net of deferred tax	17	(725,000)	-	-
	Revaluation reserve – change in fair values	6	-	800,000	-
	Available-for-sale financial assets - changes in fair value	10	(27,513)	(328,319)	-
	Available-for-sale financial assets - result of disposals	10	-	(4,999,620)	-
	Income tax relating to components of other comprehensive income	18	-	1,669,867	-
	Other comprehensive income for the year, net of tax		(253,396)	(1,167,877)	-
	Total comprehensive income for the year		15,136,911	8,158,815	1,234,803
					3,416,010

Statements of comprehensive income - continued

	Year ended 31 December			
	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Profit attributable to:				
- Owners of the Company	12,365,902	6,722,914	1,234,803	3,416,010
- Non-controlling interests	3,024,405	2,603,778	-	-
	15,390,307	9,326,692	1,234,803	3,416,010
Total comprehensive income attributable to :				
- Owners of the Company	12,112,506	5,555,037	1,234,803	3,416,010
- Non-controlling interests	3,024,405	2,603,778	-	-
	15,136,911	8,158,815	1,234,803	3,416,010

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Technical account - General business of insurance

	Notes	Year ended 31 December	
		2017 €	2016 €
Earned premiums, net of reinsurance			
Gross premiums written		38,938,317	34,281,642
Outward reinsurance premiums		(2,913,365)	(2,888,752)
Net premiums written		36,024,952	31,392,890
Change in the gross provision for unearned premiums			
- Gross amount		(2,222,632)	(1,546,665)
Earned premiums, net of reinsurance		33,802,320	29,846,225
Allocated investment return transferred from the non-technical account	31	986,953	743,097
Total technical income		34,789,273	30,589,322
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		16,213,770	16,356,046
- reinsurers' share		(245,432)	(738,272)
Claims incurred, net of reinsurance		15,968,338	15,617,774
Change in the provision for claims			
- gross amount		1,967,214	(1,124,481)
- reinsurers' share		(264,142)	806,127
Claims incurred, net of reinsurance		1,703,072	(318,354)
Claims incurred, net of reinsurance		17,671,410	15,299,420
Net operating expenses	23	9,995,353	9,193,474
Total technical charges		27,666,763	24,492,894
Balance on the technical account for general business (page 11)		7,122,510	6,096,428

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Notes	Attributable to owners of the Company						Non-controlling Interests €	Total €
		Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €			
Balance at 1 January 2016		1,327,046	13,627,505	25,166,012	48,770,812	88,891,375	10,337,202	99,228,577	
Comprehensive income									
Profit for the year		-	-	-	6,722,914	6,722,914	2,603,778	9,326,692	
Other comprehensive income									
Share of associate's reserve	16	-	1,690,195	-	-	1,690,195	-	1,690,195	
Revaluation of land and buildings, net of deferred tax	16, 18	-	720,000	-	-	720,000	-	720,000	
Available-for-sale financial assets									
- as a result of changes in fair value, net of deferred tax	17	-	-	(328,319)	-	(328,319)	-	(328,319)	
- as a result of disposals	17	-	-	(3,249,753)	-	(3,249,753)	-	(3,249,753)	
Investment property									
- as a result of changes in fair value	17	-	-	888,895	(888,895)	-	-	-	
- as a result of disposals	17	-	-	(72,834)	72,834	-	-	-	
Total other comprehensive income		-	2,410,195	(2,762,011)	(816,061)	(1,167,877)	-	(1,167,877)	
Total comprehensive income		-	2,410,195	(2,762,011)	5,906,853	5,555,037	2,603,778	8,158,815	
Transactions with owners									
Dividends relating to 2016	30	-	-	-	(3,507,570)	(3,507,570)	(1,655,075)	(5,162,645)	
Sale of shares in group undertaking to minority interest		-	-	-	-	-	259,600	259,600	
Total transactions with owners		-	-	-	(3,507,570)	(3,507,570)	(1,395,475)	(4,903,045)	
Balance at 31 December 2016		1,327,046	16,037,700	22,404,001	51,170,095	90,938,842	11,545,505	102,484,347	

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Group	Notes	Attributable to owners of the Company					Non-controlling interests €	Total €
		Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €		
Balance at 1 January 2017		1,327,046	16,037,700	22,404,001	51,170,095	90,938,842	11,545,505	102,484,347
Comprehensive income								
Profit for the year		-	-	-	12,365,902	12,365,902	3,024,405	15,390,307
Other comprehensive income								
Share of associate's reserve								
- Surplus arising on revaluation of land and buildings, net of deferred tax	16	-	499,117	-	-	499,117	-	499,117
- Fair value movement on hedging reserve, net of deferred tax	17	-	-	(725,000)	-	(725,000)	-	(725,000)
Available-for-sale financial assets								
- as a result of changes in fair value, net of deferred tax	17	-	-	(27,513)	-	(27,513)	-	(27,513)
Investment property								
- as a result of changes in fair value	17	-	-	8,314,757	(8,314,757)	-	-	-
- as a result of disposals	17	-	-	(1,307,623)	1,307,623	-	-	-
Total other comprehensive income		-	499,117	6,254,621	(7,007,134)	(253,396)	-	(253,396)
Total comprehensive income		-	(499,117)	6,254,621	5,358,768	12,112,506	3,024,405	15,136,911
Transactions with owners								
Dividends relating to 2017	30	-	-	-	(3,007,570)	(3,007,570)	(965,624)	(3,973,194)
Total transactions with owners		-	-	-	(3,007,570)	(3,007,570)	(965,624)	(3,973,194)
Balance at 31 December 2017		1,327,046	16,536,817	28,658,622	53,521,293	100,043,778	13,604,286	113,648,064

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Statements of changes in equity - continued

Company	Note	Share capital €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2016		1,327,046	926,914	20,510,694	22,764,654
Comprehensive income					
Profit for the year – total comprehensive income		-	-	3,416,010	3,416,010
Transactions with owners					
Dividend relating to 2016	30	-	-	(3,500,000)	(3,500,000)
Balance at 31 December 2016		1,327,046	926,914	20,426,704	22,680,664
Balance at 1 January 2017		1,327,046	926,914	20,426,704	22,680,664
Comprehensive income					
Profit for the year – total comprehensive income		-	-	1,234,803	1,234,803
Transactions with owners					
Dividend relating to 2017	30	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2017		1,327,046	926,914	18,661,507	20,915,467

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
Notes	Group		Company		
	2017	2016	2017	2016	
		€	€	€	€
Cash flows from operating activities					
	32	11,540,750	4,938,923	(3,889,954)	(1,889,416)
		1,922,358	2,479,211	3,539,161	6,704,555
		1,139,931	711,600	360,798	564,648
		(2,232,866)	(2,155,326)	(1,651,195)	(1,426,160)
		(4,200,867)	(1,804,262)	(573,951)	(2,213,939)
Net cash generated from/(used in) operating activities		8,169,306	4,170,146	(2,215,141)	1,739,688
Cash flows from investing activities					
		(830,029)	(900,099)	(21,329)	(22,328)
		(3,181,715)	(911,101)	-	-
		(12,663,912)	(3,694,505)	-	(665,360)
		-	(19,078)	(119,952)	-
		(9,849,918)	(9,734,158)	-	-
		(1,575,897)	(3,229,470)	-	-
		-	-	-	4,632,684
		2,732,596	1,000,000	-	-
		-	(100,000)	-	-
		78,189	56,003	-	-
		-	-	1,110,360	-
		4,473,589	599,120	-	-
		125,000	72,785	-	-
		-	12,920,364	-	259,600
		5,180,713	8,190,517	-	-
Net cash (used in)/generated from investing activities		(15,511,384)	4,250,378	969,079	4,204,596
Cash flows from financing activities					
		(94,600)	(7,000)	-	-
		-	(5,690,739)	(813,882)	(1,078,907)
		6,000,000	-	6,000,000	-
		(3,000,000)	(3,500,000)	(3,000,000)	(3,500,000)
		(965,625)	(1,655,075)	-	-
		(7,570)	(7,570)	-	-
		-	259,600	-	-
Net cash generated from/(used in) financing activities		1,932,205	(10,600,784)	2,186,118	(4,578,907)
Net movement in cash and cash equivalents		(5,409,873)	(2,180,260)	940,056	1,365,377
Cash and cash equivalents at beginning of year		(13,082,088)	(10,901,828)	(4,639,016)	(6,004,393)
Cash and cash equivalents at end of year		(18,491,961)	(13,082,088)	(3,698,960)	(4,639,016)

The notes on pages 18 to 97 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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

Gasam Group Limited was incorporated on 17 April 2002 and, shortly afterwards, acquired a 100% holding of Gasam Enterprises Limited, Gasam Investments Limited and Gee Five Limited in exchange for the issue of shares to the previous shareholders of those companies. In accordance with generally accepted accounting principles and the substance of this transaction, this restructuring has not been treated as an acquisition but the predecessor basis of accounting has been adopted. Such method is similar to the pooling of interests basis of accounting. The difference between the amount recorded as share capital and the amount recorded for the share capital acquired is presented as an adjustment against equity in 'Other reserves' (note 17).

The consolidated financial statements include the financial statements of Gasam Group Limited and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They also reflect the requirements of the Insurance Business Act, 1998 in consolidating the results of GasamMamo Insurance Limited, where appropriate. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the land and buildings class of property, plant and equipment, investment property, available-for-sale financial assets, and financial assets at fair value through profit or loss.

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 judgement in the process of applying the Group's accounting policies (see note 4 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the company's accounting periods beginning after 1 January 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 9 - 'Financial instruments'

IFRS 9, which is effective for accounting periods commencing on 1 January 2018, addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Furthermore, there is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities

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

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The new impairment model requires the recognition of impairment provisions based on impairment credit losses rather than only incurred credit losses. For the Group, it applies to financial assets classified at amortised cost and lease receivables. Based on the assessments undertaken to date, the Group expects an immaterial increase in the impairment provisions for trade receivables.

The assessment mainly considered that the Group does not have a history of bad debts, in view of the fact that it has a strong credit control environment and its receivables at the end of the reporting periods are low and mainly represent invoiced rents in advance. With respect to the amounts due from fellow subsidiaries and related undertakings, the Directors are not expecting a significant increase in the credit risk since initial recognition. In their assessment, the Directors also noted that there were no expected declines in rental income streams or increases in operating costs. On this basis, the Group does not expect provision for impairment with respect to these loans.

There will be no impact on the Group's accounting for financial liabilities.

The new standard also introduces expanded disclosure requirements and changes in presentation with respect to the Group's financial instruments, particularly in the year of the adoption of IFRS 9.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. After taking cognisance of the short-term nature of the Group's contracts with customers, the directors do not anticipate a significant impact on the Group's results and financial position on adoption of IFRS 15.

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

1.1 **Basis of preparation - continued**

IFRS 16 - 'Leases'

IFRS 16 was published in January 2016 and will be effective from 1 January 2019, replacing IAS 17 'Leases'. The Group does not expect to early-adopt the standard and so transition to IFRS 16 will take place on 1 January 2019. The Group 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.

IFRS 17 - 'Insurance Contracts'

IFRS 17, 'Insurance Contracts' is effective for annual reporting periods beginning on or after 1 January 2021 but is not yet endorsed by the EU, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Once effective, IFRS 17 will replace IFRS 4, 'Insurance Contracts'. The Standard measures insurance contracts either under the general model or a simplified version of this called the Premium Allocation Approach. Management is considering the implications of this standard as well as IFRS 9 and their impact on the subsidiary company's financial results and position.

1.2 **Consolidation**

(a) *Subsidiaries*

Subsidiaries, which are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date that control ceases. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income (see note 1.9). All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary the accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Group's subsidiaries is set out in note 36.

(b) *Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Transactions and non-controlling interests - continued

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group generally has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising in the statement of comprehensive income, the Group's share of the associates' profit or loss for the year and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the respective associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's investment in associates is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate and includes goodwill (net of any accumulated impairment loss) on acquisition. Equity accounting is discontinued when the carrying amount of an investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

A listing of the Group's associates is set out in note 9.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Euro which is the Company's functional currency and the Group's presentation policy.

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

1.3 **Foreign currency translation - continued**

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

1.4 **Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently stated at market value, based on valuations by external independent valuers, less subsequent depreciation. Valuations are carried out at regular intervals, such that the carrying amount of the property does not differ materially from that which would be determined using fair values at the end of the reporting period. All other property, plant and equipment is stated at historical cost less depreciation. Increases in the carrying amount arising on revaluation of land and buildings are credited to the other comprehensive income. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost, or revalued amount, of the assets to their residual values over their estimated useful life as follows:

	%
Buildings	1 – 2
Plant and equipment	7½ – 33⅓
Motor vehicles	20 – 25

Land and buildings in the course of construction are not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (note 1.9).

1. Summary of significant accounting policies - continued

1.5 Intangible assets - Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition and is presented in the same classification as goodwill.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment by each operating segment.

1.6 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 Group is classified as investment property. Investment property comprises land and buildings and is measured initially at 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 Group uses alternative valuation methods such as recent prices or 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes or subsequent recording. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

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. Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

1. Summary of significant accounting policies - continued

1.7 Investment in subsidiaries and associates

Investments by the Company in subsidiaries and associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment it is recognised as an expense in the period in which the diminution is identified.

The results of subsidiaries and associates are reflected in the Company's financial statements only to the extent of dividends receivable.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.8 Financial assets

1.8.1 Classification

The Group classifies its financial assets in the following categories: available for sale investments, at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the appropriate classification of its financial assets at the time of purchase and re-evaluate such designation at every reporting date.

(a) Available-for-sale financial assets

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. The Group's loans and receivables include trade receivables, amounts owed by related parties and cash and cash equivalents in the statement of financial position (note 1.12 and note 1.13).

Unrealised gains and losses arising from changes in the fair value are recognised in equity in the period in which they arise.

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

1.8 Financial assets - continued

1.8.1 Classification - continued

(c) Loans and receivables - continued

They are included in current assets, except for maturities greater than twelve months, after the end of the reporting period. These are classified as non-current assets.

1.8.2 Recognition and measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have been expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained cost of the asset.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1. Summary of significant accounting policies - continued

1.9 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 have 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 Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment include:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as default or delinquency in payments;
- (iii) the Group, for economic and legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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 improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(b) Impairment of other 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 or depreciation 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

1.10 Stock held for development and resale

Property held for development is intended in the main for resale purposes, and is accordingly classified in the financial statements as stock. The development property is carried at the lower of cost and net realisable value.

Cost comprises the purchase cost of acquiring the property, expenses incidental to acquisition, development costs together with any borrowings costs attributable to the development phases of the project. The purchase cost of acquiring the property represents the cash equivalent value of the contracted price.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Gains and losses on disposal of development property are determined by reference to their carrying amount and are taken into account in determining gross profit.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost includes transport and handling charges. The basis of stock valuation is as follows:

- Cost of raw materials is determined by the weighted average method and comprises the cost of direct materials
- Inventories of motor vehicles are valued by specifically identifying their individual costs
- Other goods held for resale are valued on the weighted average cost method

The cost of work in progress and finished goods comprises raw materials, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.12 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or 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 impairment (note 1.9). 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.

Amounts receivable from hire purchase debtors are covered by bills of exchange for the face value of the debts financed together with the amount of the hire purchase interest element, which would be earned over the entire period of credit. The interest element of the bills of exchange is accounted for as income and as a receivable from hire purchase debtors over the credit period as interest accrues with the passage of time. Subsequent to initial recognition, amounts receivable from hire purchase debtors are carried at the face value of the debts financed adjusted for the recognition of hire purchase interest income, less provision made for the impairment of these receivables.

1. Summary of significant accounting policies - continued

1.12 Trade and other receivables - continued

A provision for impairment of hire purchase debtors is established when there is objective evidence that the subsidiary will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

1.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value.

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.14 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.

1.15 Trade and other payables

Trade payables comprise 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.

1.16 Insurance contracts - classification

The Group issues contracts that transfer significant insurance risk to the Group and that are classified as insurance contracts. As a general guideline, the Group defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance contracts - General business

The results for general business are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- (i) Premiums written relate to business incepted during the year together with any differences between the booked premiums for prior years and those previously accrued, less cancellations.
- (ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the end of each reporting period, calculated on a time apportionment basis.

1. Summary of significant accounting policies - continued

1.16 Insurance contracts - classification - continued

Insurance contracts - General business - continued

- (iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are apportioned over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the statement of financial position. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.
- (iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.
- (v) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported. The Group does not discount its liabilities for unpaid claims.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available.

- (vi) Provision in the form of an unexpired risk provision will be made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the end of the reporting period.

The above method of provisioning satisfies the minimum liability adequacy required by IFRS 4.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables), as well as longer term receivables (classified within reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

1. Summary of significant accounting policies - continued

1.16 Insurance contracts – classification - continued

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance policy holders.

The Group assesses its reinsurance assets and its receivables related to insurance contracts for impairment on a regular basis. If there is objective evidence that the reinsurance asset or the insurance receivable is impaired, the Group will reduce the carrying amount to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Group gathers the objective evidence that a reinsurance asset or insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in accounting policy 1.9.

1.17 Long term contracts

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that these costs will be recoverable; and contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to engineers' certifications. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billing up to the year end.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contract, under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts, under trade and other payables.

1.18 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 profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1. Summary of significant accounting policies - continued

1.19 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.

1.20 Current and deferred tax

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

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 onset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred income 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.

1.21 Provisions

Provisions are recognised when the Group 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.22 Derivative financial instruments and hedging activity

Derivative financial instruments are initially recognised in the statement of financial position at cost and subsequently are remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

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

1.22 Derivative financial instruments and hedging activity - continued

Changes in the fair value of such derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the statement of comprehensive income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedged to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group does not use derivative instruments for speculative purposes.

The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the end of each reporting period.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Sales are recognised upon delivery of products or performance of services net of sales taxes and discount.

(a) Provision of goods and rendering of services

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from the rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Insurance premium recognition is described in accounting note 1.16 dealing with insurance contracts.

(b) Finance income

Finance income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Hire purchase interest income is recognised as the interest is due.

1. Summary of significant accounting policies - continued

1.23 Revenue recognition - continued

(c) Interest income

Interest income is recognised for all interest-bearing instruments, using the effective interest method, unless collectability is in doubt. When an insurance receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rent receivable

Rent receivable from investment property is recognised in profit or loss on a straight-line basis. Over the term of the lease.

1.24 Investment return from business of insurance

Investment return comprises investment income including fair value movements, interest income, dividends, rental income, and is net of investment expenses, charges and interest.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments supporting the insurance technical provisions.

1.25 Operating leases

The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.26 Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment, and ground rent payable associated with major projects, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs and rents are expensed.

1.27 Dividends

Dividend distribution to the Group's shareholders is recognised in equity in the period in which the dividends are declared.

2. Financial risk management

2.1 Financial risk factors

The Group's activities, other than the risks associated with its insurance subsidiary (see note 3) potentially expose it to a variety of financial risks: credit risk, market risk (including cash flow and fair value interest rate risk, price risk and foreign exchange risk) and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(i) Credit risk

Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, receivables, including those on HP terms, available for sale investments (local debt securities) and long-term loans.

The maximum exposure to credit risk at the reporting date in respect of financial assets is disclosed in the respective notes. As a general rule, the Group has policies in place to assess and monitor credit exposures and risk thresholds.

The Group's cash is placed with quality financial institutions and as such does not consider credit risk in this respect to be significant.

As part of its credit risk management, the Group assesses the credit quality of its customers taking into account the financial position, past experience, and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses, which are inherent in the Group's receivables taking into account historical experience in the collection of accounts receivable.

The Group manages credit limits and exposures actively in a practicable manner such that past due receivable from customers are minimized at the reporting date. The Group's receivables are presented net of an allowance for impairment and the allowance as at year end covers the extent of impaired receivables. As at year end the allowance for impairment amounted to €3,597,295 (2016: €3,740,094) as analysed in note 13. The remaining receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default and where regular payments and set-offs are being affected by these clients. The directors do not expect any material losses from non-performance of these customers.

The Group is exposed to concentration of credit risk with respect to its trade and HP debtors since €4,766,943 (2016: €3,013,672) are due from 20 customers (2016: 15 customers).

With respect to loans and receivables and long term debt securities, the directors do not consider credit risk to be significant since these amounts are principally due by associates and related companies with no history of default.

Credit risk in respect of concentration of investments is not considered by the directors to be significant in view of the credit standing of the issuers (see note below).

2. Financial risk management - continued

2.1 Financial risk factors - continued

(i) Credit risk - continued

The following table illustrates the assets that expose the Group to credit risk as at the reporting date and includes the Standard & Poor's (or equivalent) composite rating, when available. Unrated financial assets principally comprise locally traded bonds on the Malta Stock Exchange, receivables and certain deposits with local bank institutions for which no international rating is available.

Assets bearing credit risk at the reporting date are analysed as follows:

	31 December 2017			
	AAA to A- €	BBB to B- €	Unrated €	Total €
Investments				
Available-for-sale	146,841	-	8,547,610	8,694,451
Loans and receivables				
Advances to associates and related companies	-	-	3,552,775	3,552,775
Amounts recoverable on contracts	-	-	2,037,543	2,037,543
Receivables and HP receivables	-	-	28,970,554	28,970,554
Other receivables	-	-	605,658	605,658
Cash and cash equivalents	-	-	572,930	572,930
	-	-	35,739,460	35,739,460
Total assets bearing credit risk	146,841	-	44,287,070	44,433,911

	31 December 2016			
	AAA to A- €	BBB to B- €	Unrated €	Total €
Investments				
Available-for-sale	150,611	-	8,571,493	8,722,104
Loans and receivables				
Advances to associates and related Companies	-	-	3,904,542	3,904,542
Amounts recoverable on contracts	-	-	6,555,898	6,555,898
Receivables and HP receivables	-	-	25,575,437	25,575,437
Other receivables	-	-	917,216	917,216
Cash and cash equivalents	-	74,979	389,468	464,447
	-	74,979	37,342,561	37,417,540
Total assets bearing credit risk	150,611	74,979	45,914,054	46,139,644

2. Financial risk management - continued

2.1 Financial risk factors - continued

(i) Credit risk - continued

As at 31 December 2017, the Company was exposed to potential credit risk in respect of potential amounts due from subsidiaries and related parties. Such risk is not considered significant as balances are deemed recoverable.

(ii) Market risk

Cash flow and fair value interest rate risk

In general, the Group's exposure to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flow are not deemed to be substantial by the directors in view of the nature of the assets and liabilities. Notes 11, 13, 19 and 21 and the table below incorporate interest rate risk and maturity information with respect to the Group's assets and liabilities.

The Group's interest bearing assets are as follows:

	2017	2016
	€	€
Assets at fixed interest rates	146,841	150,611

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 Group has fixed rate interest-bearing assets comprising bills of exchange. It also has borrowings issued at fixed rates consisting of bonds issued to the public which are carried at amortised cost (refer to note 19). Accordingly, its revenue and operating cash flows are substantially independent of changes in market interest rates. These instruments expose the Group to fair value interest rate risk. However, as these instruments are measured at amortised cost any changes in fair value as a result of changes in market interest rates will have no impact on profit or loss and other comprehensive income.

The Group's interest rate risk arises from current bank borrowings. Bank loans (refer to note 19), expose the Group to cash flow interest rate risk. The Group's borrowings are subject to an interest rate that varies according to the revisions made to the Bank's Base rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken.

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

Up to the reporting date, the Group did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the directors.

2. **Financial risk management - continued**

2.1 **Financial risk factors - continued**

(ii) **Market risk - continued**

Price risk

The Group is exposed to market price risk on its financial assets, particularly on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments.

The Group reduces this risk by diversifying its investments in different countries and in different sectors. The Group's investment portfolio is managed by an independent investment manager who updates the Board on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines.

The total assets subject to equity price risk are the following:

	2017	2016
	€	€
Assets subject to equity price risk		
Local listed	8,309,511	8,333,253

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is based on global equity returns. Given the investment strategy of the Group a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes.

An increase and a decrease in 10% in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €830,951 (2016: €833,325).

Foreign exchange risk

Foreign exchange risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the Group's assets. Such risk is not considered significant in relation to liabilities. Most of the Group's liabilities are either in euro or represent recognised liabilities arising from purchase transactions which are settled within very short periods in accordance with negotiated credit.

(iii) **Liquidity risk**

The Group 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 19 and 21).

Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bank loans and bonds are due for repayment.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(iii) Liquidity risk - continued

Management monitors liquidity risk by means of cash flow forecasts which are updated on a regular basis. The Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from operations.

The table below analyses the Group'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 €	Due Between two & five years €	Due after more than five years €
31 December 2017						
Bank overdraft	23,908,245	23,908,245	23,908,245	-	-	-
Trade and other payables	18,027,780	18,027,780	18,027,780	-	-	-
Bond	24,743,932	27,338,444	-	1,220,022	26,118,422	-
Bank loan	6,000,000	6,000,000	-	-	1,715,000	4,285,000
Total	72,679,957	75,274,469	41,936,025	1,220,022	27,833,422	4,285,000
31 December 2016						
Bank overdraft	22,471,771	22,471,771	22,471,771	-	-	-
Trade and other payables	17,748,268	17,748,268	17,748,268	-	-	-
Bond	24,757,940	28,666,971	-	1,224,657	27,442,314	-
Amounts owed to related parties	7,840	7,840	7,840	-	-	-
Total	64,985,819	68,894,850	40,227,879	1,224,657	27,442,314	-

As at 31 December 2017, the Company was exposed to liquidity risk in relation to amounts payable to subsidiaries and related parties (note 21) and bank borrowings (note 19).

As at 31 December 2017 the Company's current liabilities exceeded current assets by €11,972,561 (2016: €17,198,153). Included in current liabilities are amounts due to ultimate parent, subsidiaries, associate and related parties amounting to €13,436,005 (2016: €23,924,963). In addition, bank borrowings include a bank overdraft amounting to €3,701,265 (2016: €4,641,273).

This risk is not considered significant since such liabilities are closely monitored at Group level to ensure that adequate funding to meet the Company's obligations is available.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(iii) Liquidity risk - continued

The table below 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 €	Due between two & five years €	Due after more than five years €
31 December 2017						
Bank overdraft	3,701,265	3,701,265	3,701,265	-	-	-
Amounts owed to subsidiary	535,983	535,983	535,983	-	-	-
Trade and other payables	14,319,438	14,319,438	14,319,438	-	-	-
Bank loan	6,000,000	6,000,000	-	-	1,715,000	4,285,000
Total	24,556,686	24,556,686	18,556,686	-	1,715,000	4,285,000
31 December 2016						
Bank overdraft	4,641,273	4,641,273	4,641,273	-	-	-
Amounts owed to subsidiary	1,349,865	1,349,865	1,349,865	-	-	-
Trade and other payables	24,306,188	24,306,188	24,306,188	-	-	-
Total	30,297,326	30,297,326	30,297,326	-	-	-

2.2 Fair values of financial instruments

At 31 December 2017 and 2016, the carrying amounts of the Group's (excluding the insurance subsidiary) cash at bank, trade and other receivables, trade and other payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of the Group's non-current bank borrowings at the end of the reporting period is not significantly different from the carrying amounts. Information on the fair value of the bonds issued to the public is disclosed in the respective note to the financial statements.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

2. Financial risk management - continued

2.2 Fair values of financial instruments - continued

The fair value of publicly traded investments classified as financial assets at fair value through profit or loss and available for sale are based on quoted market prices at the end of the reporting period. The fair value of unquoted equities is established by a directors' valuation.

IFRS 7 requires for financial instruments that are measured in the statement of financial position at fair value, disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

2017	Level 1 €	Level 3 €	Total balance €
Assets			
Available-for-sale financial assets			
- Equity securities	8,309,511	238,099	8,547,610
- Debt investments	146,841	-	146,841
Total assets	8,456,352	238,099	8,694,451
2016			
	Level 1 €	Level 3 €	Total balance €
Assets			
Available-for-sale financial assets			
- Equity securities	8,333,253	238,240	8,571,493
- Debt investments	150,611	-	150,611
Total assets	8,483,864	238,240	8,722,104

2.3 Capital risk management

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

- to safeguard the Group'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 of a subsidiary. The subsidiary 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 subsidiary was compliant with this requirement throughout the year.

3. Management of insurance and financial risk of the insurance subsidiary

The Group is exposed to insurance risk and financial risk. This section summarises these risks and the way the Group manages them.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The terms and conditions of the contracts set out the basis for the determination of the subsidiary's liability should the insured event occur. The risks underwritten include accident and health, motor (including third party liability), marine and transport, fire and other damage to property and liability.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the subsidiary faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims may vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The subsidiary writes business in a number of classes and assesses its exposure at individual class level but it places more emphasis on assessing class groups. The subsidiary's underwriting strategy is to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risks include the lack of risk diversification in terms of type and amount and the concentration in the portfolio on a few large risks.

a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, but primarily by the types of risks that the subsidiary accepts to insure. Risk can be significantly affected by a single event such as a severe storm or a drastic change in the methods of compensation awarded by courts.

The subsidiary writes only annual policies (with the exceptions of Contractors All Risks contract term cover, Travel and Marine Cargo short term policies), and therefore has the ability to rate risks individually and to impose conditions in accordance with the risk under consideration. For property insurance contracts there is no distinct seasonality in claims patterns except storm-related claims to which the Maltese islands are susceptible at periodical intervals in the months of September and October. The subsidiary purchases adequate Catastrophe reinsurance cover to protect against this eventuality.

The subsidiary manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.1 Insurance risk - continued

a) *Frequency and severity of claims* - continued

Underwriting

The underwriting strategy attempts to ensure that the underwritten risks limit the subsidiary's exposure to large commercial and industrial risks and to risks with a high probability of causing a severe claim. Internal underwriting guidelines and limits are in place to enforce appropriate risk selection criteria and are reinforced by the proper IT driven controls. Thus intermediaries and branches are unable to give quotations unless these are within their underwriting limits or through direct computer links. Head Office underwriters handle all referrals on risks exceeding such limits. Insurance risks are contracted on the basis of the legal principle of "utmost good faith" and thus the subsidiary is able to refuse to settle claims where it can prove that there was non-disclosure or misrepresentation of a material fact at underwriting stage with the aim of circumventing such limits. The subsidiary also has systems in place that ensure that certain risks are reviewed prior to renewal terms being offered. As a licensed motor insurer the subsidiary is obliged to observe the terms, conditions and limitations of compulsory motor insurance legislation currently in force.

The risks underwritten by the subsidiary may also be in the form of reinsurance contracts issued on a one-off facultative basis with other direct re-insurers whereby it assumes a portion of the risk which such insurers undertake with their direct clients.

Reinsurance arrangements

The subsidiary has reinsurance protection in place substantially for all classes of business. The reinsurance arrangements consist of a non-proportional program, with a deductible that is commensurate with the subsidiary's financial standing. The subsidiary purchases adequate reinsurance cover to protect against the eventuality of a single event such as a storm. The subsidiary's policy is to only utilise reinsurers with a minimum Standard & Poor's rating (or equivalent when not available) of "A minus".

Claims handling

The subsidiary's Head Office claims handling departments process and investigate as necessary all claims. Reserves are set in accordance with the subsidiary's reserving policy and these are reviewed individually on a regular basis. These limits vary in accordance with the individual's experience and seniority in a manner that ensures that the potentially serious claims are handled by senior and experienced personnel.

The subsidiary limits its delegation of claims handling authority to one agent in Malta and to one overseas agent, both of which are monitored by appropriate auditing processes. Authority limits in relation to the handling and the settlement of claims are in place. The subsidiary aims to achieve as short a settlement period as possible that allows it to achieve a higher degree of certainty with regard to the estimated cost of claims.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.1 Insurance risk - continued

a) Frequency and severity of claims - continued

Concentration of insurance risk

The subsidiary derives 90% (2016: 91%) of its premium income from risks written in Malta whilst the other 10% (2016: 9%) is derived from risks written in Cyprus, France and Greece.

Property risks underwritten by the subsidiary are mainly geographically situated in the Maltese Islands with exposure in Cyprus and limited exposure in Greece. The nature of some policies underwritten by the subsidiary in Malta, such as Motor Third Party Liability, Marine Cargo, Travel Insurance and Liability expose the subsidiary to claims relating to incidents occurring outside the Maltese Islands, in spite of the fact that the risks are based within them.

In the subsidiary's portfolio there is no undue concentration of risk or of policy holders or of business sectors, with a healthy balance between Personal Lines risks and Commercial risks.

(b) Sources of uncertainty in the estimation of future claim payments

The most significant risks are changes in the pattern of awards for bodily injury and fatality claims, and inflationary trends. Claims on casualty contracts are payable on a claims-occurrence basis. The subsidiary is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract period. Some liability claims tend to be settled over a period of time and an element of claims provision relates to incurred but not reported claims. Statistical analyses are carried out annually to ascertain that the provision for IBNR is adequate. The compensation paid on these contracts is the monetary award granted for bodily injury suffered. Such awards are lump sum payments that are calculated as the present value of the lost earnings and actual related costs incurred that the injured party suffers as a result of the accident. For fatalities the amount of compensation is also a monetary amount paid as a lump sum to heirs relating to the lost future earnings of the deceased plus actual costs incurred as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of expected subrogation value and other recoveries. The subsidiary takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. An initial reserve based on average claims cost is attributed to each reported incident where insufficient information is available at that time. Analysis of the development of past claims has shown that reserves have proven to be sufficient to meet the ultimate cost. In calculating the estimated cost of notified but unpaid claims, the subsidiary's estimation technique is a combination of past experience, medical assessments, legal precedent and current trends in compensation awards. All the subsidiary's claims reserves are an accumulation of individual case estimates.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the subsidiary, where information about the claim event is available. Claims IBNR may often not be apparent to the insured until several years after the event giving rise to the claims would have happened. The subsidiary estimates IBNR as a fixed percentage of gross written premiums in order to reflect the consequence of changes in portfolio size. Adequacy tests are carried out annually. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcome because of the greater degree of difficulty in estimating these reserves.

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.1 Insurance risk - continued

(b) Sources of uncertainty in the estimation of future claim payments - continued

Note 20 presents the development of the estimate of ultimate claims costs for claims notified in a given year. This gives an indication of the accuracy of the subsidiary's estimation techniques for claims payments.

During 2017 the claims pattern was as forecast, and no unusual "event" was recorded during the period.

3.2 Financial risk management

The subsidiary is exposed to financial risk through its financial assets, financial liabilities, and insurance and reinsurance assets and liabilities. The key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance risk. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity positions, all of which are exposed to general and specific market movements. The risk management policies employed by the subsidiary to manage these risks are discussed below.

(a) Market risk

(i) Interest rate risk

In general, the subsidiary is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Assets issued at variable rates expose the subsidiary to cash flow interest rate risk. Assets issued at fixed rates expose the subsidiary to fair value interest rate risk. The subsidiary holds investments mostly in equity and debt securities. Debt securities are subject to interest rate risk.

Interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the subsidiary's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. The exposure to interest rate risk in respect of borrowings is not material considering the limited use by the subsidiary of external borrowings. Note 11, 13, 19 and 21 incorporates interest rate and maturity information with respect to the subsidiary's assets and liabilities

The total assets and liabilities subject to interest rate risk are the following:

	2017	2016
	€	€
Assets at floating interest rates	4,945,746	6,645,064
Assets at fixed interest rates	22,126,018	18,683,914
	27,071,764	25,328,978
Liabilities at floating interest rates	795,981	514,856

Up to the end of the reporting period the subsidiary did not have any hedging policy with respect to interest rate risk as exposure to such risks was not deemed to be significant by the directors.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.2 Financial risk management - continued

(a) Market risk - continued

(i) Interest rate risk - continued

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

At 31 December 2017 the subsidiary was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points lower with all other variables held constant, the increase in net assets for the year would have been €502,954 (2016: €609,432) higher. An increase of 50 basis points, with all other variables held constant, would have resulted in net assets being €490,794 (2016: €581,460) lower.

At 31 December 2017 a subsidiary was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points (2016: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €24,729 (2016: €33,225) higher/lower.

(ii) Price risk

The subsidiary is exposed to market price risk on its financial assets, particularly on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments.

The subsidiary reduces this risk by diversifying its investments in different countries and in different sectors. The subsidiary also operates a number of investment portfolios in order to spread risk. These investment portfolios are administered by different investment managers.

The subsidiary's investment portfolio is overseen by the Investment Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines. Investment decisions are taken on the basis of an Asset Allocation Policy approved by the Board. The Asset Allocation Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localisation, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the subsidiary's overall investment objective, which is principally the preservation of capital and liabilities.

The total assets subject to equity price risk are the following:

	2017	2016
	€	€
Assets subject to equity price risk	12,744,567	8,826,381

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.2 Financial risk management - continued

(ii) Price risk - continued

Given the investment strategy of the subsidiary, a 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. A 10% increase/decrease in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €1,274,457 (2016: €882,638).

(iii) Currency risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact on the amounts that are paid to settle liabilities and on the amounts that are realised from the subsidiary's assets. Most of the subsidiary's liabilities are in local currency and are therefore not subject to currency risk. On the other hand, the subsidiary's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. The subsidiary's Investment Committee establishes allowable thresholds with regards to the subsidiary's exposure to foreign exchange risk.

As at 31 December 2017, the subsidiary's exposure to foreign currency investments, principally comprising a mix of US Dollar and UK Pound, represented 9% of the subsidiary's total investments (2016: 13%). Currency exposure is also regulated by the Regulations underlying the Maltese Insurance Business Act, 1998. As a result of all of the above factors, the directors do not consider the subsidiary's exposure to exchange risk to be significant.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The subsidiary's exposure to credit risk can arise from the following sources:

1. Amounts due from insurance intermediaries
2. Amounts due from insurance contract holders
3. Reinsurers' share of insurance liabilities
4. Amounts due from reinsurers for amounts already paid
5. Investments and cash and cash equivalents

As a general rule the subsidiary transacts its business on a cash basis. The subsidiary has in place internal control structures to assess and monitor credit exposures and risk thresholds. Normal credit terms provided by the subsidiary range from 1 to 3 months. Credit risk with respect to debts is limited due to the large number of customers comprising the subsidiary's debtor base.

For the first two categories the subsidiary manages its credit risks through the work of its Debtors Review Committee. This committee meets on a monthly basis and ensures that credit is controlled within pre-agreed timed payment schedules on a case-by-case basis. The subsidiary experiences a low level of bad debts and for the year under review this amounts to less than 1% of gross written premiums for the year.

In view of the nature of the subsidiary's activities, its receivables comprise amounts due from group and related undertakings. The subsidiary's management monitors credit exposures with related parties at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The subsidiary assesses the credit quality of these related parties taking into account financial position, performance and other factors. The subsidiary takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.2 Financial risk management - continued

(b) Credit risk - continued

Reinsurance is used to manage insurance risks. This does not, however, discharge the subsidiary's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the subsidiary remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by the subsidiary's Reinsurance Committee that reviews their financial strength in accordance with MFSA guidelines prior to finalisation of any contract. The subsidiary's policy is to only contract Reinsurers with a minimum Standard & Poors (or equivalent when not available) rating of "A minus".

The subsidiary is also exposed to credit risk for its cash at bank and investments. The subsidiary's cash is placed with quality financial institutions. The subsidiary has no significant exposure to credit risk with respect to available-for-sale investments since such assets exposing the subsidiary to credit risk mainly consist of investments in government bonds and corporate bonds quoted on a reputable stock exchange. Credit risk in respect of concentration of investments is not considered by the directors to be significant in view of the credit standing of the issuers.

The following table illustrates the assets that expose the subsidiary to credit risk as at the end of the reporting period and includes the Standard & Poor's composite rating (or equivalent), when available. Unrated financial assets principally comprise locally traded bonds on the Malta Stock Exchange, receivables and certain deposits with local bank institutions for which no recognised rating is available.

Financial assets bearing credit risk at the reporting date are analysed as follows:

	As at 31 December 2017					
	AAA to AA- €	A+ to A- €	BB to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	3,677,442	6,484,753	568,231	6,387,322	983,372	18,101,120
Loan to related party	-	-	-	-	88,661	88,661
Deposits with banks or financial institutions	-	-	-	1,803,928	1,000,000	2,803,928
	3,677,442	6,484,753	568,231	8,191,250	2,072,033	20,993,709
Loans and receivables						
Receivables and accrued income	-	-	-	-	6,083,984	6,083,984
Cash and cash equivalents	42,836	680,809	-	465,390	4,450,300	5,639,335
	42,836	680,809	-	465,390	10,534,284	11,723,319
Total	3,720,278	7,165,562	568,231	8,656,640	12,606,317	32,717,028
Reinsurance share of technical provisions						1,360,758
Total assets bearing credit risk						34,077,786

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.2 Financial risk management - continued

(b) Credit risk - continued

	As at 31 December 2016					
	AAA to AA- €	A+ to A- €	BB to BB- €	BBB+ to BBB- €	Unrated €	Total €
Investments						
Fair value through profit or loss	3,338,852	7,027,951	265,659	5,996,247	634,169	17,262,878
Loan to related party	-	-	-	-	88,661	88,661
Deposits with banks or financial institutions	-	-	-	1,725,000	750,000	2,475,000
	3,338,852	7,027,951	265,659	7,721,247	1,472,830	19,826,539
Loans and receivables						
Receivables and accrued income	-	-	-	-	5,881,837	5,881,837
Cash and cash equivalents	-	534,001	-	2,934,597	5,971,494	9,440,092
	-	534,001	-	2,934,597	11,853,331	15,321,929
Total	3,338,852	7,561,952	265,659	10,655,844	13,326,161	35,148,468
Reinsurance share of technical provisions						1,906,616
Total assets bearing credit risk						37,055,084

(c) Liquidity risk

The subsidiary's exposure to liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The directors do not consider this risk as significant given the nature of the subsidiary's financial assets and liabilities. The subsidiary's financial assets are considered to be in their greater part readily realisable as they consist of local and foreign securities listed on recognised stock markets and deposits held with first-class-rated credit institutions. Moreover, the subsidiary ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the subsidiary may also resort to overdraft facilities as a means of finance.

The table below analyses the subsidiary's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.2 Financial risk management - continued

(c) Liquidity risk - continued

As at 31 December 2017

Contracted undiscounted cash outflows

	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Bank overdraft	795,981	-	-	-	795,981
Trade and other payables	1,481,495	-	-	-	1,481,495
Accruals and deferred income	711,473	-	-	-	711,473
	2,988,949	-	-	-	2,988,949

Expected undiscounted cash outflows

	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	9,925,812	1,641,383	2,657,467	2,520,549	16,745,211

As at 31 December 2016

Contracted undiscounted cash outflows

	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Bank overdraft	514,856	-	-	-	514,856
Trade and other payables	1,684,691	-	-	-	1,684,691
Accruals and deferred income	574,017	-	-	-	574,017
	2,773,564	-	-	-	2,773,564

Expected undiscounted cash outflows

	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	7,949,974	1,642,466	2,898,393	2,287,164	14,777,997

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.3 Capital risk management

The subsidiary's objectives when managing capital are:

- to comply with the insurance capital requirements required by the Malta Financial Services Authority ("MFSA");
- to safeguard the subsidiary's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and,
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In order to maintain or adjust the capital structure, the subsidiary may issue new shares or capitalise contributions received from its shareholders.

The subsidiary is required to hold regulatory capital for its general insurance business in compliance with the rules issued by the MFSA. The minimum capital requirement (defined as 'the required minimum margin') must be maintained at all times throughout the year. The subsidiary monitors its capital level on a regular basis at least once a month through detailed reports compiled with the management accounts. Such reports are circulated to the Board and senior management. Any transactions that may potentially affect the subsidiary's solvency position are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

As from 1 January 2016, the subsidiary was subject to the requirements of the EU Solvency II directive. The Solvency II regime establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The subsidiary must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The subsidiary must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The subsidiary opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the subsidiary's risk profile.

The subsidiary was in full compliance with its regulatory capital requirements throughout the financial year and at 31 December 2017, the subsidiary's eligible own funds amounting to €27,622,830 (unaudited) were in excess of the required SCR.

The subsidiary was compliant with its regulatory capital requirements throughout the financial year.

3. Management of insurance and financial risk of the insurance subsidiary - continued

3.4 Fair value estimation

The fair value of publicly traded investments classified as financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period. The fair value of unquoted equities is established by a directors' valuation. At 31 December 2017 and 2016, the carrying amount of the subsidiary's other financial assets and liabilities approximate their fair value due to their short-term nature.

Net fair value of derivative financial instruments

IFRS 13 requires disclosure for fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- 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).

The following table presents the subsidiary's assets and liabilities that are measured at fair value at 31 December.

	2017	2016
	€	€
Assets		
Financial assets at fair value through profit or loss:		
Investments - Level 1	30,844,923	25,388,247
Investments - Level 2	764	24,200
	30,845,687	25,412,447

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the subsidiary is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The investments classified as level 2 were fair valued using the net asset value of the investment, as reported by the respective portfolio manager. Management believes the portfolio manager could have redeemed its investments at the net asset value per share at the balance sheet date.

4. Critical accounting estimates and judgments in applying accounting policies

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

4. Critical accounting estimates and judgments in applying accounting policies - continued

As referred to in notes 6 and 7, certain properties of the Group were revalued by the directors as at 31 December 2017. This valuation has been made on the basis of the projected future earnings from this property, in the main based on long term rental contracts, its ongoing maintenance needs, and other relevant market factors.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year are discussed below.

The ultimate liability from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of liability that the Group will ultimately pay for such claims. As disclosed in note 3.1 the estimated cost of unpaid claims, both reported and not, is calculated on a case by case basis using a combination of past experience, medical assessments, legal precedent and current trends in compensation awards. The Group believes that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end. Further detail about the development of claims is provided in note 20 to these financial statements.

5. Intangible assets

	2017	2016
	€	€
Goodwill		
Year ended 31 December		
Opening and closing cost and net book amount	647,978	647,978

Goodwill represents the difference between the cost of the shares of GasanMamo Insurance Limited acquired in 2004 and the nominal value of the shares acquired. For the purposes of impairment testing, goodwill is allocated to the Group's insurance business segment and the recoverable amount is determined by reference to the fair value of the underlying business of the segment.

When testing for impairment, the recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

6. Property, plant and equipment

Group	Land, buildings and improvements €	Plant and equipment €	Motor vehicles €	Total €
At 1 January 2016				
Cost/valuation	25,227,760	8,724,430	1,214,767	35,166,957
Accumulated depreciation and impairment	(2,938,332)	(7,556,155)	(809,794)	(11,304,281)
Net book amount	22,289,428	1,168,275	404,973	23,862,676
Year ended 31 December 2016				
Opening net book amount	22,289,428	1,168,275	404,973	23,862,676
Additions	101,504	514,755	283,840	900,099
Revaluation surplus (note 16)	800,000	-	-	800,000
Disposals	-	-	(188,986)	(188,986)
Depreciation charge	(246,162)	(402,361)	(208,530)	(857,053)
Depreciation released on disposals	-	-	136,137	136,137
Closing net book amount	22,944,770	1,280,669	427,434	24,652,873
At 31 December 2016				
Cost/valuation	26,129,264	9,239,185	1,309,621	36,678,070
Accumulated depreciation and impairment	(3,184,494)	(7,958,516)	(882,187)	(12,025,197)
Net book amount	22,944,770	1,280,669	427,434	24,652,873
Year ended 31 December 2017				
Opening net book amount	22,944,770	1,280,669	427,434	24,652,873
Additions	140,525	483,739	205,765	830,029
Reclassification	-	-	(33,890)	(33,890)
Disposals	-	-	(193,429)	(193,429)
Depreciation charge	(221,635)	(440,510)	(198,697)	(860,842)
Depreciation released on disposals	-	-	141,288	141,288
Closing net book amount	22,863,660	1,323,898	348,471	24,536,029
At 31 December 2017				
Cost/valuation	26,269,789	9,722,924	1,288,067	37,280,780
Accumulated depreciation and impairment	(3,406,129)	(8,399,026)	(939,596)	(12,744,751)
Net book amount	22,863,660	1,323,898	348,471	24,536,029

6. Property, plant and equipment - continued

Bank borrowings are secured by various immovable properties (note 19).

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 €	2016 €
Cost	16,935,626	16,842,801
Accumulated depreciation	(3,395,611)	(3,257,898)
Net book amount	13,540,015	13,584,903

The increase in fair value net of deferred tax is credited to the "Revaluation reserve" (note 16).

Company	Leasehold improvements €	Plant, machinery and equipment €	Total €
At 1 January 2016			
Cost	24,582	117,477	142,059
Accumulated depreciation	(21,892)	(71,236)	(93,128)
Net book amount	2,690	46,241	48,931
Year ended 31 December 2016			
Opening net book amount	2,690	46,241	48,931
Additions	-	22,328	22,328
Depreciation charge	(37)	(18,070)	(18,107)
Closing net book amount	2,653	50,499	53,152
At 31 December 2016			
Cost	24,582	139,805	164,387
Accumulated depreciation	(21,929)	(89,306)	(111,235)
Net book amount	2,653	50,499	53,152
Year ended 31 December 2017			
Opening net book amount	2,653	50,499	53,152
Additions	-	21,329	21,329
Depreciation charge	(36)	(21,674)	(21,710)
Closing net book amount	2,617	50,154	52,771
At 31 December 2017			
Cost	24,582	161,134	185,716
Accumulated depreciation	(21,965)	(110,980)	(132,945)
Net book amount	2,617	50,154	52,771

7. Investment property

a) Non-current assets - Investment property

	Group	
	2017 €	2016 €
Year ended 31 December		
Opening net book amount	37,225,389	36,394,577
Additions	3,351,588	911,101
Disposals	(4,159,588)	(417,040)
Fair value gain on revaluation (note 25)	9,163,865	336,751
Closing net book amount	45,581,254	37,225,389
At 31 December		
Cost	17,106,369	16,205,611
Fair value gains	28,474,885	21,019,778
Net book amount	45,581,254	37,225,389

b) Insurance company - Investment property

	2017	2016
	€	€
Year ended 31 December		
Opening net book amount	7,813,455	4,656,770
Additions	1,575,897	3,229,470
Disposals	(87,132)	(72,785)
Fair value gain on revaluation (note 31)	1,213,138	-
Closing net book amount	10,515,358	7,813,455
At 31 December		
Cost	8,674,725	7,185,960
Fair value gains	1,840,633	627,495
Net book amount	10,515,358	7,813,455

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. The revaluation surplus net of applicable deferred income taxes was credited to profit for the year and was subsequently transferred to 'other reserves' in shareholders' equity (note 17). 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.

7. **Investment property - continued**

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

Fair value measurements using significant unobservable inputs (level 3)

	Sites for development €	Commercial rents €	Residential rents €	Vacant €	Total €
Fair value at 31 December 2017					
At beginning of year	11,825,189	23,634,226	779,104	986,870	37,225,389
Additions	3,042,039	139,549	-	-	3,181,588
Disposals	-	(4,117,659)	(16,306)	(25,623)	(4,159,588)
Reclassifications	(394,459)	-	564,459	-	170,000
Gains and losses recognised in profit or loss	8,000,000	1,083,865	80,000	-	9,163,865
At end of year	22,472,769	20,739,981	1,407,257	961,247	45,581,254

Fair value at 31 December 2016					
At beginning of year	11,135,287	23,062,302	779,104	1,417,884	36,394,577
Additions	839,177	71,924	-	-	911,101
Disposals	-	-	-	(417,040)	(417,040)
Reclassifications	(486,026)	500,000	-	(13,974)	-
Gains and losses recognised in profit or loss	336,751	-	-	-	336,751
At end of year	11,825,189	23,634,226	779,104	986,870	37,225,389

Insurance company - Investment property	Site for development €	Available for rent €	Total €
Fair value at 31 December 2017			
At beginning of year	-	7,813,455	7,813,455
Additions	-	1,575,897	1,575,897
Disposal	-	(87,132)	(87,132)
Fair value gain on revaluation	-	1,213,138	1,213,138
At end of year	-	10,515,358	10,515,358
Fair value at 31 December 2016			
At beginning of year	900,000	3,756,770	4,656,770
Transfers to property, plant and equipment	-	(72,785)	(72,785)
Transfer	(900,000)	900,000	-
Additions	-	3,229,470	3,229,470
At end of year	-	7,813,455	7,813,455

7. Investment property - continued

Valuation processes

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

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

The assumptions and the valuation models used are reviewed by the directors and in the case of the insurance subsidiary by the Property Investment Committee. This includes a review of fair value movements over the period.

When the directors (or Property Investment Committee) considers that the valuation report is appropriate, the valuation report is recommended to the Board. The Board considers the valuation report as part of its overall responsibilities.

As at 31 December 2017, the fair values of the land and buildings have been determined by the directors on the basis of valuation reports and a review of current rents, terms and conditions of lease agreements, service charges, capital expenditure, etc.

Valuation techniques – non insurance company

For level 3, commercial rents and residential rents with a total carrying amount of €21,539,263 (2016: €23,805,355), 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.

For level 3 residential rents with a total carrying value of €607,975 (2016: €607,975) for those properties for which there is a resident for life and for which no rental income is received.

For level 3 site for development, vacant properties and properties for which there is a resident for life, with a total carrying amount of €24,041,991 (2016: €13,591,163), the valuation was determined using an adjusted sales comparison approach. The significant input to this approach is a sales price related to transactions in comparable properties located in proximity to the company's property, adjusted for differences in the size, age, exact location and condition of the land and buildings.

7. Investment property - continued

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

31 December 2017			Significant unobservable inputs (weighted average)
Description	Fair value €	Valuation Technique	Capitalisation rates %
Commercial rents	20,739,981	Future rental cash flows	6% - 7%
Residential rents	799,282	Future rental cash flows	3% - 4%

31 December 2016			Capitalisation rates %
Description	€	Valuation Technique	%
Commercial rents	23,634,226	Future rental cash flows	6% - 7%
Residential rents	171,129	Future rental cash flows	3% - 4%

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

Site for development, vacant properties and those properties for which there is a resident for life with a fair value of €24,041,991 (2016: €13,591,163) have been measured using an adjusted sales comparison approach. Adjusted sales prices, have been determined to be the significant unobservable inputs into the valuation.

An increase in the adjusted sales prices per square metre would result in a higher fair value.

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

	2017 €	2016 €
Cost	25,781,094	23,391,570
Accumulated depreciation	(2,648,569)	(2,624,674)
Net book amount	23,132,525	20,766,896

7. Investment property - continued

Valuation processes - continued

The Group's investment properties were revalued by the directors during the financial year ended 31 December 2017. Valuations were based on current prices and consideration was open to specific location of the property, the facilities included therein, the size of the site and the availability of similar properties in the area.

Certain investment property is used as security for bank borrowings (note 19).

8. Investments in subsidiaries

Company

	Investment in subsidiaries €
At 1 January 2016	
Cost and carrying amount	16,240,560
	<hr/>
Year ended 31 December 2016	
At beginning of year	16,240,560
Transfer of shares	(259,600)
	<hr/>
At end of year	15,980,960
	<hr/>
At 31 December 2016	
Cost	15,980,960
	<hr/>
Year ended 31 December 2017	
At beginning and end of year	15,980,960
	<hr/>
At 31 December 2017	
Cost and carrying amount	15,980,960
	<hr/>

8. Investments in subsidiaries - continued

The subsidiaries at 31 December:

Subsidiaries	Registered office	Class of shares held	Percentage of shares held	
			2017	2016
Gasane Enterprises Limited	Gasane Centre Mrieהל By-Pass Mrieהל Malta	Ordinary shares	100.00%	100.00%
		Redeemable preference shares	76.74%	76.74%
G M Insurance Brokers Limited	174 Old Bakery Street Valletta Malta	Ordinary shares	56.25%	56.25%
GasaneMamo Insurance Limited	Msida Road Gzira Malta	Ordinary shares	56.25%	56.25%
Mekanika Limited	Gasane Centre Mrieהל By-Pass Mrieהל Malta	Ordinary shares	99.00%	99.00%
GasaneZammit Motors Limited	Gasane Centre Mrieהל By-Pass Mrieהל Malta	Ordinary shares	52.50%	52.50%
Gasane Properties Limited	Gasane Centre Mrieהל By-Pass Mrieהל Malta	Ordinary shares	100.00%	100.00%
GasaneZammit International Limited	Gasane Centre Mrieהל By-Pass Mrieהל Malta	Ordinary shares	65.50%	65.50%

9. Investment in associates

Group	2017	2016
	€	€
Year ended 31 December		
At beginning of year	32,181,742	25,985,014
Share of results of associates from operating activities	(473,713)	862,028
Share of reserves of associates (notes 16, 17)	(225,883)	1,690,195
Additions	12,663,912	3,694,505
Disposal	-	(50,000)
	<hr/>	<hr/>
At end of year	44,146,058	32,181,742
	<hr/>	<hr/>
Group	2017	2016
	€	€
Cost	34,028,756	21,364,845
Share of results and reserves	10,117,302	10,816,897
	<hr/>	<hr/>
Net book amount	44,146,058	32,181,742
	<hr/>	<hr/>

The principal associates at 31 December held by subsidiaries are shown below:

Associates	Registered office	Class of shares held	Percentage of shares held by subsidiaries	
			2017	2016
Embassy Limited	Embassy St Lucia Street Valletta Malta	Ordinary shares	50.00%	50.00%

9. Investment in associates - continued

Associates	Registered office	Class of shares held	Percentage of shares held by subsidiaries	
			2017	2016
TumasGas Holdings Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso St Julians Malta	Ordinary shares	50.00%	50.00%
V & A Investments Limited	Zachary House Marsa Industrial Estate Marsa Malta	Ordinary shares	21.00%	21.00%
The Quad Limited (formerly Tal- Wilga Limited)	Gasas Centre Mriehel By-pass Mriehel Malta	Ordinary shares	50.00%	50.00%
GEM Holdings Limited	Level 3 Portomaso Business Tower Portomaso St Julians Malta	Ordinary shares	35.17%	-

Embassy Limited holds 100% (2016: 100%) in Embassy Management Limited, Embassy Hotel Limited and Paola Complex Limited. The companies' registered office of all the companies, except for Paola Complex Limited, is Embassy, St Lucia Street, Valletta, Malta. On 25 April 2018, Paola Complex Limited following a change in name to Main Street Complex p.l.c., issued a formal notice announcing the issuance of 5,230,769 new ordinary shares and an offer of 7,538,460 ordinary shares by existing shareholders. The entire issued share capital of 19,384,619 shares will be admitted to the Official List of the Malta Stock Exchange. Main Street Complex p.l.c.'s registered address is Main Street Complex, Antoine de Paule Square, Paola, Malta.

TumasGas Holdings Limited holds 100% (2016: 100%) in TumasGas Operators Limited, Ropes Limited and Ta' Monita Residence Condominium Limited. The companies' registered office of all the companies is Level 3, Portomaso Business Tower, Portomaso, St Julians, Malta.

The voting rights in each individual associate is equal to the percentage of shares held.

Associates include €6.2m, €9m and €13.2m (2016: €7.5m, €7.2m and €1.1m) advanced to three local unquoted companies as disclosed above. These are classified as investments in associates since in the opinion of the directors, the substance of these financial assets is in the nature of investments rather than loans and these are not anticipated to be repaid with fixed or determinable amounts. The event of a return from such investments would in substance be a dividend.

As explained in accounting policy 1.2, investments in associates, are accounted for by the equity method of accounting.

9. Investment in associates - continued

Summarised financial information in respect of the Group's associates is set out below:

	2017 €	2016 €
Total assets	108,854,888	78,061,235
Total liabilities	(80,878,315)	(46,980,710)
	27,976,573	31,080,525
Group's share of net assets of associates	15,928,194	15,572,249
Total revenue	8,812,112	8,835,270
Total results for the year	(4,527,358)	1,892,394
Total comprehensive income for the year	(1,063,182)	3,560,389
Share of results of associates	(473,713)	862,028
Share of comprehensive income of associates	(225,883)	1,690,195
Company	2017 €	2016 €
Year ended 31 December		
At beginning of year	1,369,110	703,750
Additions	-	665,360
Transfer to subsidiary	(1,110,360)	-
At end of year	258,750	1,369,110
At 31 December		
Cost	2,009,293	3,131,300
Provision for impairment on financial assets	(1,750,543)	(1,762,190)
At end of year	258,750	1,369,110

As at 31 December 2016, associates included €1.1m advanced to a local unquoted company. This was classified as investment in associates since in the opinion of the directors, the substance of this financial asset is in the nature of investments rather than a loan and this is not anticipated to be repaid with fixed or determinable amounts. The event of a return from such an investment would in substance be a dividend.

9. Investment in associates - continued

The associates at 31 December held by the Company are shown below:

Associate	Registered office	Class of shares held	Percentage of shares held	
			2017	2016
Abacus Risk Management Services PCC Limited	LF3, Third Floor Gasamamo Head Office Msida Road Gzira Malta	Ordinary shares	45.00%	45.00%
GV Investments Limited	Gasam Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	50.00%	50.00%
GEM Holdings Limited	Level 3 Portomaso Business Tower Portomaso St Julians Malta	Ordinary shares	-	31.50%

The Group has operated in Libya since 2006. It holds shares in a number of jointly controlled entities in Libya. The political scenario in Libya, following events that occurred during February 2011, has caused the Group to significantly curtail its Libyan operations. The exceptional nature of the instability that has been created is being kept under close review by the Directors with the aim of obtaining reliable information that would enable them to assess the possible impact that this may have on the Group's operations both in the short term and in the long term. So far, however, there is still a significant level of uncertainty surrounding matters in Libya and the integrity of the information being received is such that it is not possible to reliably estimate the financial impact of this political instability on the Group. In the circumstances, the Group has ensured that the carrying value of its investment in Libya does not exceed the estimated value of the assets that the Group hopes to be able to recover, after making due allowance for provisions that have been rendered necessary by events in Libya.

10. Other investments

Group

The other investments are summarised by measurement category in the table below.

	2017	2016
	€	€
Available-for-sale investments - non-current	8,694,451	8,722,104

10. Other investments - continued

Group - continued

(a) Available-for-sale investments

	2017 €	2016 €
Equity securities and other variable yield securities	8,547,610	8,571,493
Debt securities – listed fixed interest rate	146,841	150,611
	8,694,451	8,722,104

Equity securities and other variable yield securities are classified as non-current and include unlisted securities amounting to €186,000 (2016: €186,000).

The above available-for-sale investments include amounts advanced to unquoted companies. These are classified as available-for-sale since in the opinion of the directors, the substance of these financial assets is in the nature of investments rather than loans and these are not anticipated to be repaid with fixed or determinable amounts. The event of a return from such investments would in substance be a dividend.

Maturity of fixed income debt securities:

	2017 €	2016 €
Non-current		
Between 2 and 5 years	50,140	52,138
Over 5 years	96,701	98,473
	146,841	150,611
Weighted average effective interest rate	4.70%	4.70%

10. Other investments - continued

Group - continued

(a) Available-for-sale investments - continued

The movements for the year are summarised as follows:

	2017 €	2016 €
Year ended 31 December		
At beginning of year	8,722,104	21,186,282
Additions	-	19,078
Net fair value (losses)/gains	(27,513)	(328,319)
Release of provision for impairment	-	7,449,000
Fair value gain released on disposal	-	(4,999,620)
Disposals (sales and redemptions)	(140)	(14,604,317)
At end of year	8,694,451	8,722,104
As at 31 December		
Cost	7,972,330	7,972,470
Accumulated net fair value gains	2,574,270	2,601,783
Provision for impairment	(1,852,149)	(1,852,149)
	8,694,451	8,722,104

Classified as follows:

	2017 €	2016 €
Non-current	8,694,451	8,722,104

Available-for-sale investments are fair valued annually at the close of business on 31 December. For investments traded in active markets, fair value is determined by reference to stock exchange quoted prices.

The Group holds quoted and unquoted investments classified as available-for-sale that are subject to valuations on an annual basis in line with Group policies. The valuations carried out at the end of the reporting period did not result in a movement in fair value in respect of unquoted available-for-sale investment and a net decrease in fair value of €27,513 (2016: a net decrease of €328,319) for quoted available-for-sale investments.

10. Other investments - continued

(b) Other investments

Company

	2017 €	2016 €
Year ended 31 December		
At beginning of year	22,458,483	31,946,899
Movement during the year	119,952	(9,488,416)
	22,578,435	22,458,483
At 31 December		
Cost and net carrying amount	22,578,435	22,458,483

Other investments relate to amounts due from a subsidiary, which are interest free, unsecured and do not have fixed terms of repayment. These funds were utilised by the subsidiary to invest in various entities with an exit plan within the medium and long term. The return to the company will depend on the profit that would be realised upon exit of the subsidiary from these aforementioned investments. In view of this, no interest receivable is accounted for and the directors feel that the amounts due should not be discounted to present value since these amounts are of a capital nature.

11. Insurance company - Investments

The investments are summarised by measurement category in the table below.

	2017 €	2016 €
Fair value through profit or loss	30,845,687	25,412,447
Loans and receivables	2,892,589	2,563,661
Investment in joint ventures	38,476	100,000
	33,776,752	28,076,108

11. Insurance company - Investments - continued

(a) Investment at fair value through profit or loss

	2017 €	2016 €
Equity securities, other variable yield securities and units in collective investment schemes	12,744,567	8,826,381
Debt securities – listed fixed interest rate	16,333,429	15,120,253
Debt securities – listed floating interest rate	1,767,691	1,465,813
	18,101,120	16,586,066
 Total investments at fair value through profit or loss	 30,845,687	 25,412,447

Equity securities, other variable yield securities and units in collective investment schemes are classified as non-current.

Maturity of debt securities and treasury bills:

	2017 €	2016 €
Within 1 year	1,241,621	735,522
Between 1 and 2 years	1,662,262	1,401,820
Between 2 and 5 years	8,146,136	6,129,421
Over 5 years	7,051,101	8,319,303
	18,101,120	16,586,066

	2017	2016
Weighted average effective interest rate	3.88%	3.21%

11. Insurance company - Investments - continued

(a) Investment at fair value through profit or loss - continued

The movements for the year are summarised as follows:

	2017 €	2016 €
Year ended 31 December		
At beginning of year	25,412,447	23,440,172
Additions	9,849,918	9,734,158
Disposals (sale and redemptions)	(5,180,713)	(8,190,517)
Net fair value gains	764,035	428,634
	30,845,687	25,412,447
As at 31 December		
Cost	28,997,625	24,505,382
Accumulated net fair value gains	1,848,062	907,065
	30,845,687	25,412,447

(b) Loans and receivables

	2017 €	2016 €
Year ended 31 December		
Deposits with banks or financial institutions	2,803,928	2,475,000
Loan to shareholder	88,661	88,661
	2,892,589	2,563,661

Maturity of deposits with banks or financial institutions:

	2017 €	2016 €
Between 1 and 2 years	2,053,928	2,475,000
Between 2 and 5 years	750,000	-
	2,803,928	2,475,000

The deposits with banks or financial institutions earn interest as follows:

	2017 €	2016 €
At fixed rates	2,803,928	2,475,000
	2,803,928	2,475,000

At 31 December 2017, the deposits with banks or financial institutions included pledged financial assets amounting to €2,109,500 (2016: €2,109,500) (note 19).

(c) Joint venture

	2017 €	2016 €
Year ended 31 December		
CCGM Pension Administrators Limited	38,476	100,000
	38,476	100,000

11. Insurance company – Investments - continued

(c) Joint Venture - continued

On 31 August 2016, the subsidiary signed a memorandum of association with Calamatta Cuschieri Group Plc for the creation of the subsidiary CCGM Pension Administrators Limited. The subsidiary is registered as a private liabilities company and its main objective is to act as a retirement scheme administrator for the purpose of the Retirement Pensions Act.

12. Inventories

	2017	2016
	€	€
Work in progress	2,307,697	1,396,629
Goods for resale and consumables	12,519,631	12,431,458
Other	-	4,637
	14,827,328	13,832,724
Property held for resale	3,500,000	3,669,873
	18,327,328	17,502,597
Total inventories	18,327,328	17,502,597

The movement in work in progress is analysed below:

	2017	2016
	€	€
Year ended 31 December		
At beginning of year	1,396,629	3,389,197
Contract costs incurred during the year	7,790,158	11,869,676
Contract expenses recognised for the year	(6,879,090)	(13,862,244)
	2,307,697	1,396,629
At end of year	2,307,697	1,396,629

During 2017, the Group has carried out an inventory write down of stock based on their net realisable value. This inventory write down amounted to €28,223 (2016: €36,254) and has been included in cost of sales in the income statement.

13. Trade and other receivables

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Trade receivables	15,836,407	13,076,530	-	-
Hire purchase debtors	13,134,147	12,498,907	-	-
Less: Provision for impairment	(1,302,151)	(1,444,950)	-	-
Trade and hire purchase debtors - net	27,668,403	24,130,487	-	-
Amounts due from subsidiaries	-	-	5,483,736	12,096,841
Less: Provision for impairment	-	-	(1,031,556)	(1,031,556)
Amounts due from subsidiaries - net	-	-	4,452,180	11,065,285
Amounts due from associates	3,550,313	3,617,942	2,249,536	2,203,769
Less: Provision for impairment	(2,295,144)	(2,295,144)	(1,988,634)	(1,988,634)
Amounts due from associates - net	1,255,169	1,322,798	260,902	215,135
Advance payments	495,000	612,613	-	35,827
Amounts recoverable on contracts	2,037,543	6,555,898	-	-
Amounts due from related parties	-	279,022	48,917	51,981
Directors' and shareholders' current accounts	2,462	7,578	-	-
Other receivables	110,658	304,603	44,003	963
Other taxes and social security	23,122	103,397	-	-
Prepayments and accrued income	1,815,433	2,493,731	83,818	61,816
	33,407,790	35,810,127	4,889,820	11,431,007
Disclosed as follows:				
Non-current portion				
- Hire purchase debtors	8,331,295	8,191,227	-	-
Current portion	25,076,495	27,618,900	4,889,820	11,431,007

The amounts due from subsidiaries to the Company are unsecured, repayable on demand and subject to a floating interest rate of 4.3% and 7.0% (2016: 4.3% and 7.0%).

13. Trade and other receivables - continued

Advances and amounts due from associates, related companies, related parties, directors and shareholders are unsecured, interest free and repayable on demand.

As at 31 December, the Group's trade receivables and HP receivables of €3,123,816 (2016: €3,671,772) were long outstanding. The ageing analysis of past due but not impaired and of impaired receivables is as follows:

	Trade receivables 2017 €	HP receivables 2017 €	Total 2017 €	Trade receivables 2016 €	HP receivables 2016 €	Total 2016 €
Within 12 months	166,869	272,844	439,713	82,969	178,010	260,979
Over 12 months	1,792,433	891,670	2,684,103	2,233,590	1,177,203	3,410,793
Total	1,959,302	1,164,514	3,123,816	2,316,559	1,355,213	3,671,772
	2017 €	2017 €	2017 €	2016 €	2016 €	2016 €

Classified as follows:

Past due but not impaired	1,575,760	325,591	1,901,351	1,911,315	623,186	2,534,501
Impaired and provided for	383,542	838,923	1,222,465	405,244	732,027	1,137,271
Total	1,959,302	1,164,514	3,123,816	2,316,559	1,355,213	3,671,772

Movements in provision for impairment of trade receivables are as follows:

	2017 €	2016 €
Opening balance	1,444,950	1,515,933
Net movement during the year	(142,799)	(70,983)
Closing balance	1,302,151	1,444,950

14. Deferred acquisition costs

	Group	
	2017	2016
	€	€
Year ended 31 December		
At beginning of year	3,072,804	2,895,533
Net amount credited to income statement	328,646	177,271
	3,401,450	3,072,804
At end of year	3,401,450	3,072,804
Current portion	3,401,450	3,072,804

15. Share capital

	Group and Company	
	2017	2016
	€	€
Authorised		
375,000 Ordinary 'A' shares of €2.329373 each	873,515	873,515
200,000 Ordinary 'B' shares of €2.329373 each	465,875	465,875
	1,339,390	1,339,390
Issued and fully paid		
375,000 Ordinary 'A' shares of €2.329373 each	873,515	873,515
194,701 Ordinary 'B' shares of €2.329373 each	453,531	453,531
	1,327,046	1,327,046

Except for the election of directors, each Ordinary 'B' share shall not carry any voting rights but shall be entitled to the same dividend rights as the Ordinary 'A' shares.

16. Revaluation reserve

	Group	
	2017	2016
	€	€
Year ended 31 December		
At beginning of year	16,037,700	13,627,505
Share of associate's reserve (note 9)	499,117	1,690,195
Revaluations of land and buildings net of deferred tax (notes 6 and 18)	-	720,000
	16,536,817	16,037,700

The revaluation reserve is a non-distributable reserve.

17. Other reserves

The other reserves that in the opinion of the directors are non-distributable are disclosed as follows:

Group	2017							Total €
	Investment property reserve €	Financial assets reserve €	Equity adjustment €	Share premium reserve €	Hedge reserve €	Capital reserve €		
At beginning of year	20,699,786	1,870,439	(1,288,239)	155,122	-	966,893	22,404,001	
Share of associate's reserve (note 9)	-	-	-	-	(725,000)	-	(725,000)	
Available-for-sale financial assets changes in fair value	-	(27,513)	-	-	-	-	(27,513)	
Transfer, net of deferred tax as a result of:								
- changes in fair value	8,314,757	-	-	-	-	-	8,314,757	
- of disposals	(1,307,623)	-	-	-	-	-	(1,307,623)	
At end of year	27,706,920	1,842,926	(1,288,239)	155,122	(725,000)	966,893	28,658,622	

Group	2016						Total €
	Investment property reserve €	Financial Assets reserve €	Equity adjustment €	Share premium reserve €	Capital reserve €		
At beginning of year	19,883,725	5,448,511	(1,288,239)	155,122	966,893	25,166,012	
Available-for-sale financial assets changes in fair value	-	(328,319)	-	-	-	(328,319)	
Transfer, net of deferred tax as a result of:							
- changes in fair value	888,895	-	-	-	-	888,895	
- of disposals	(72,834)	(3,249,753)	-	-	-	(3,322,587)	
At end of year	20,699,786	1,870,439	(1,288,239)	155,122	966,893	22,404,001	

17. Other reserves - continued

The unrealised gain representing the difference between the historical cost and the fair value of investment property, net of deferred tax, has been transferred to the investment property reserve. The financial assets reserve represents the difference between the fair value and the historical cost of certain investments, net of deferred tax. The adjustment against equity of €1,288,239 (2016: €1,288,239) represents the excess of the carrying amounts of investments in subsidiaries and the share capital of the subsidiaries.

Company	2017 €	2016 €
Merger with fellow subsidiary		
At beginning and end of year	926,914	926,914

18. Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 10% or 8% of the carrying amounts (2016: 10% or 8%). The deferred tax assets and liabilities are mainly considered to be of a non-current nature.

Deferred taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

The movement on the deferred tax account is as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Year ended 31 December				
At beginning of year	5,969,590	5,033,344	(17,112)	(17,112)
Credit to other comprehensive income	-	(1,669,867)	-	-
Charge to profit or loss (note 29)	1,590,089	2,606,113	-	-
At end of year	7,559,679	5,969,590	(17,112)	(17,112)
At 31 December				
Deferred tax assets	(563,895)	(1,091,480)	(17,112)	(17,112)
Deferred tax liabilities	8,123,574	7,061,070	-	-
Net deferred tax liabilities/(assets)	7,559,679	5,969,590	(17,112)	(17,112)

The directors consider the net deferred tax liability to be mainly of a non-current nature.

18. Deferred tax - continued

The tax (credit)/charge relating to components of other comprehensive income is as follows:

Group	2017			2016		
	Before tax €	Tax credit €	After tax €	Before tax €	Tax charge €	After tax €
Revaluation surplus on land and buildings	-	-	-	800,000	(80,000)	720,000
Share of associates' reserves	(225,883)	-	(225,883)	1,690,195	-	1,690,195
Available for sale financial assets						
- as a result of changes in fair values	(27,513)	-	(27,513)	(328,319)	-	(328,319)
- as a result of disposals	-	-	-	(4,999,620)	1,749,867	(3,249,753)
	(253,396)	-	(253,396)	(2,837,744)	1,669,867	(1,167,877)

18. Deferred tax - continued

Deferred tax assets and liabilities, and the movements during the year are attributable to the following items:

Group	At 1 January 2016 €	(Credited)/ charged to other comprehensive income €	(Credited)/ charged to income statement €	At 31 December 2016 €
Deferred tax liabilities				
Fixed assets due to accelerated tax depreciation	244,307	-	16,607	260,914
Revaluation and investment property reserve	6,035,388	80,000	401,053	6,516,441
Financial assets	1,749,867	(1,749,867)	-	-
Bond issue costs	110,479	-	(28,207)	82,272
Unearned profit provision	21,110	-	-	21,110
Unrealised capital gains due to accelerated tax depreciation	51,717	-	(18,182)	33,535
Temporary differences on unrealised capital gains	38,091	-	108,707	146,798
	8,250,959	(1,669,867)	479,978	7,061,070
Deferred tax assets				
Fixed assets due to accelerated tax depreciation	(39,900)	-	23,662	(16,238)
Losses carried forward	(26,753)	-	315	(26,438)
Capital losses	-	-	(490,000)	(490,000)
Provisions	(3,007,961)	-	2,610,721	(397,240)
Unabsorbed capital allowances	(19,251)	-	(34,626)	(53,877)
Unearned profit provision	(123,750)	-	16,063	(107,687)
	(3,217,615)	-	2,126,135	(1,091,480)
Net deferred tax	5,033,344	(1,669,867)	2,606,113	5,969,590

18. Deferred tax - continued

Group	At 1 January 2017 €	(Credited)/ charged to other comprehensive income €	(Credited)/ charged to income statement €	At 31 December 2017 €
Deferred tax liabilities				
Fixed assets due to accelerated tax depreciation	260,914	-	7,003	267,917
Revaluation and investment property reserve	6,516,441	-	797,520	7,313,961
Financial assets	-	-	-	-
Bond issue costs	82,272	-	(28,208)	54,064
Unearned profit provision	21,110	-	-	21,110
Unrealised capital gains due to accelerated tax depreciation	33,535	-	(33,535)	-
Temporary differences on unrealised capital gains	146,798	-	319,724	466,522
	7,061,070	-	1,062,504	8,123,574
Deferred tax assets				
Fixed assets due to accelerated tax depreciation	(16,238)	-	8,590	(7,648)
Losses carried forward	(26,438)	-	731	(25,707)
Capital losses	(490,000)	-	490,000	-
Provisions	(397,240)	-	36,959	(360,281)
Unabsorbed capital allowances	(53,877)	-	34,626	(19,251)
Unrealised capital gains due to accelerated tax depreciation	-	-	(56,107)	(56,107)
Unearned profit provision	(107,687)	-	12,786	(94,901)
	(1,091,480)	-	527,585	(563,895)
Net deferred tax	5,969,590	-	1,590,089	7,559,679

At 31 December 2017 and 2016, the Group had the following unutilised tax credits and temporary differences:

	Unrecognised 2017 €	2016 €
Unutilised tax credits arising from:		
Unabsorbed capital allowances	87,903	329,239
Unabsorbed capital losses	1,089,792	646,140

18. Deferred tax - continued

The deferred tax assets at the statements of financial position dates have not been reflected in these financial statements due to the uncertainty of the realisation of the tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade. Capital losses have no expiry date but may be utilised solely to offset future capital gains.

Company

	2017 €	2016 €
Acquired on merger	17,112	17,112
At end of year	17,112	17,112

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%).

The balance at 31 December 2017 represents temporary differences on

	2017 €	2016 €
Unearned profit provision	(2,139)	(2,139)
Unabsorbed capital allowances	19,251	19,251
	17,112	17,112

As at 31 December 2017 the Company had unutilised tax credits arising from unabsorbed capital allowances amounting to €Nil (2016: €39,714) and provision amounting to €1,057,067 (2016: €1,057,067). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

19. Borrowings

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Current				
Bank overdrafts (note b)	24,704,226	22,986,627	3,701,265	4,641,273
Bank loans (note b)	-	-	-	-
Amounts owed to subsidiary	-	-	535,983	1,349,865
Amounts owed to related company	-	7,840	-	-
	24,704,226	22,994,467	4,237,248	5,991,138
Non-current				
Bonds (note a)	24,743,932	24,757,940	-	-
Bank loans (note b)	6,000,000	-	6,000,000	-
	30,743,932	24,757,940	6,000,000	-
Total borrowings	55,448,158	47,752,407	10,237,248	5,991,138

19. Borrowings - continued

The amounts owed to subsidiary are unsecured and are repayable on demand.

(a) Bonds

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

	2017 €	2016 €
Proceeds		
24,898,400 (2016: 24,993,000) 4.9% bonds 2019/2021	24,898,400	24,993,000
	24,898,400	24,993,000
Issue costs	483,552	483,552
Accumulated amortisation	(329,084)	(248,492)
	154,468	235,060
Amortised cost and closing carrying amount of the bonds	24,743,932	24,757,940

During the year, the Company re-purchased and subsequently cancelled €94,600 of the outstanding bonds (2016: €7,000).

The quoted market price as at 31 December 2017 for the 4.9% bonds 2019/2021 was €102.51 (2016: €104.75).

(b) Overdrafts and loans

The Group bank overdrafts and loans are secured by general and special hypothecs over the Group's assets and a pledge of €2,109,500 (2016: €2,109,500) on insurance investments.

The Group's and Company's banking facilities as at 31 December 2017 amounted to €56,924,291 and €28,491,351 (2016: €50,209,814 and €22,867,500) respectively. The bank overdraft and loans of the Group and the Company are secured by hypothecs over the Group's assets. The Company's bank overdrafts and loans are also secured by guarantees by the Company's subsidiaries.

The interest rate exposure of the Group's and Company's borrowings is as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Total borrowings:				
At fixed rates	24,743,932	24,757,940	-	-
At floating rates	30,704,226	22,994,467	10,237,248	5,991,138
	55,448,158	47,752,407	10,237,248	5,991,138

19. Borrowings - continued

The weighted effective interest rates as at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
Bank overdrafts	2.9%	2.8%	3.0%	3.0%
Bank loans	2.3%	-	2.3%	-
Bonds	4.9%	4.9%	-	-
Amounts owed to subsidiary	-	-	7.0%	7.0%

Maturity of non-current borrowings:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Between 2 and 5 years	26,458,932	-	1,715,000	-
Over 5 years	4,285,000	24,757,940	4,285,000	-
	30,743,932	24,757,940	6,000,000	-

20. Technical provisions and reinsurance assets

	2017	2016
	€	€
Gross technical provisions		
Claims reported and loss adjustment expenses	14,598,753	13,213,302
Claims incurred but not reported	2,146,458	1,564,695
Unearned premiums	18,800,738	16,578,106
Total technical provisions – Gross	35,545,949	31,356,103
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	1,360,758	1,096,616
Total reinsurers' share of technical provisions	1,360,758	1,096,616
Net technical provisions		
Claims reported and loss adjustment expenses	13,237,995	12,116,686
Claims incurred but not reported	2,146,458	1,564,695
Unearned premiums	18,800,738	16,578,106
	34,185,191	30,259,487
Current portion	27,964,829	23,888,487

20. Technical provisions and reinsurance assets - continued

Claims reserves are calculated utilising a combination of internal and market data and are made up of the sum of individual case estimates. In the case of property damage claims estimates are based on expert reports, while those for injury or fatality claims are calculated using formulas established by jurisprudence to which legal costs are added on. Based on this process, no key variable has been identified for which a change would have a material impact on the profit or loss for the year. Such an assessment and the relative materiality of the key variables may change in the future.

Statistical analyses on the adequacy of claims reserves are regularly carried out and these consistently show that the reserves are reliable and adequate. As at 31 December 2017, the provision for claims reported and loss adjustment expenses includes an allowance for subrogation or salvage recoveries amounting to €2,264,877 (2016: €2,075,349).

The subsidiary's policy with regards to IBNR reserves is to calculate this as a percentage of gross written premium based on statistical analysis of late reported claims were updated. This did not have a significant impact.

The risk and claim profile of the subsidiary does not indicate any conditions or variables that are likely to impact significantly upon the company's cash flow. During the year the assumptions used to estimate the ultimate cost of claims were updated. This did not have a significant impact.

20. Technical provisions and reinsurance assets - continued

The development of insurance liabilities provides a measure of the subsidiary's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the subsidiary's estimate of total claims incurred for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The accident-year basis is considered to be the most appropriate for the business written by the company. Liability in respect of prior years includes claims handled by the subsidiary as agents and attorneys of the Aviva Group and which were subject to a portfolio transfer to the subsidiary with effect from 1 January 2003.

Claims outstanding - Gross

Estimate of the ultimate claims costs:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	€	€	€	€	€	€	€	€	€	€	€
At end of reporting year	10,969,369	12,259,523	13,271,686	13,925,721	14,165,946	14,919,844	16,680,060	19,521,393	15,758,540	18,823,566	
- one year later	10,717,117	11,832,395	12,830,586	12,753,049	13,562,717	14,828,377	14,593,910	18,580,047	14,164,549		
- two years later	10,260,485	11,084,438	13,009,746	12,574,462	13,383,321	14,580,222	14,221,883	18,825,596			
- three years later	9,999,354	11,213,234	12,836,570	12,627,392	13,235,431	14,369,068	14,234,696				
- four years later	9,793,189	11,073,744	12,777,630	12,662,183	13,194,822	14,244,658					
- five years later	9,774,896	10,903,889	12,648,134	12,403,455	13,121,787						
- six years later	9,720,333	10,829,321	12,588,867	12,354,460							
- seven years later	9,711,134	11,014,456	12,656,101								
- eight years later	9,696,028	10,858,917									
- nine years later	9,702,056										
- ten years later											
Current estimates of:											
- Cumulative claims	9,702,056	10,858,917	12,656,101	12,354,460	13,121,787	14,244,658	14,234,696	18,825,596	14,164,549	18,823,566	138,986,386
- Cumulative payments to date	(9,596,932)	(10,659,862)	(12,494,638)	(11,980,432)	(12,688,951)	(13,735,071)	(13,405,326)	(16,473,494)	(12,525,964)	(9,665,164)	(123,225,834)
Liability recognised in the statement of financial position	105,124	199,055	161,463	374,028	432,836	509,588	829,370	2,352,102	1,638,585	9,158,402	15,760,552
Liability in respect of prior years											984,659
Total liability recognised in the statement of financial position											16,745,211

20. Technical provisions and reinsurance assets - continued

Claims outstanding – Net

Estimate of the ultimate claims costs:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	€	€	€	€	€	€	€	€	€	€	€
At end of reporting year	10,945,287	12,259,523	13,271,686	13,925,721	13,875,114	14,206,396	15,976,787	17,904,856	15,758,540	18,491,566	
- one year later	9,592,442	11,832,395	12,830,586	12,753,049	13,280,100	14,127,162	14,221,788	17,086,976	14,164,549		
- two years later	10,198,291	11,084,438	13,009,746	12,574,462	13,108,062	13,885,349	13,796,256	17,154,951			
- three years later	9,937,160	11,213,235	12,836,570	12,627,392	12,966,166	13,675,346	13,809,068				
- four years later	9,730,995	11,073,744	12,777,630	12,662,183	12,926,133	13,550,935					
- five years later	9,712,702	10,903,889	12,648,134	12,403,455	12,853,098						
- six years later	9,648,940	10,829,321	12,588,867	12,354,460							
- seven years later	9,633,834	10,858,917	12,656,101								
- eight years later	9,639,862										
- nine years later											
- ten years later											
Current estimates of:											
Cumulative claims	9,639,862	10,858,917	12,656,101	12,354,460	12,853,098	13,550,935	13,809,068	17,154,951	14,164,549	18,491,566	135,533,507
Cumulative payments to date	(9,534,738)	(10,659,862)	(12,494,638)	(11,980,432)	(12,420,262)	(13,041,348)	(13,004,905)	(15,668,925)	(12,525,964)	(9,665,164)	(120,996,238)
Liability recognised in the statement of financial position	105,124	199,055	161,463	374,028	432,836	509,588	804,163	1,486,025	1,638,585	8,826,402	14,537,269
Liability in respect of prior years											847,184
Total liability recognised in the statement of financial position											15,384,453

20. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses - continued

The subsidiary registered a gross favourable run-off of €1.82m (2016: €1.65m). After the effect of reinsurance, this amounts to €1.2m (2016: €1.58m).

Variations occur when compared to prior year claims estimates due to a combination of factors including claims being settled for different amounts than estimated, and changes made to reserve estimates as more information becomes available. Favourable movements are indicative of a prudent reserving methodology in prior years.

(b) Unearned premiums

The movements for the year are summarised as follows:

	Gross and net €
Year ended 31 December 2017	
At beginning of year	16,578,106
Net charge to the statement of comprehensive income	2,222,632
	18,800,738
Year ended 31 December 2016	
At beginning of year	15,031,441
Net charge to the statement of comprehensive income	1,546,665
	16,578,106

21. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Trade payables	3,249,068	3,986,557	-	-
Capital and other creditors	242,814	215,046	-	-
Payables arising out of direct insurance operations	323,737	391,114	-	-
Advance payments by customers on construction contracts	2,248,127	1,079,760	-	-
Amounts due to subsidiaries	-	-	8,484,394	19,969,618
Amounts due to related parties	1,273,401	1,264,441	-	1,967
Amounts due to ultimate parent	894,923	106,298	894,923	106,298
Directors' and shareholders' current accounts	4,056,688	3,850,848	4,056,688	3,847,080
Deposits in advance	239,750	505,902	-	-
Other payables	1,438,337	1,900,869	16,984	27,499
Other taxes and social security	1,823,052	1,526,559	101,687	101,599
Accruals and deferred income	3,250,747	2,505,053	764,762	252,127
Accrued contract costs	1,089,452	2,588,323	-	-
Interest payable on bonds	90,652	86,216	-	-
	20,220,748	20,006,986	14,319,438	24,306,188

21 Trade and other payables - continued

Amounts due to related companies and associates are unsecured, interest free and repayable on demand.

The amounts due to the directors and shareholders are unsecured, repayable on demand and subject to a fixed interest rate of 3.5% (2016: 3.5%).

Amounts due to subsidiaries by the Company are unsecured, repayable on demand and bear interest at 7% (2016: 4.3%) except for an amount of €2,900,000 (2016: €1,500,000) which bears interest at 3% (2016: 3.09%).

22. Revenue

Revenue may be analysed as follows:

	Group	
	2017	2016
	€	€
By class of business		
Automotive and marine	36,036,171	42,617,338
Building services and contracting	15,399,499	16,672,335
Property rentals	1,405,188	1,490,741
Other	210,819	181,443
	53,051,677	60,961,857
By geographical area		
Local	53,051,677	60,961,857

23. Expenses by nature

(a) Expenses by nature

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Contract costs (excluding employee benefit expense)	5,255,146	10,230,734	-	-
Maintenance division cost (excluding employee benefit expense)	2,149,397	2,372,968	-	-
Employee benefit expense	9,113,694	9,202,595	1,046,649	1,139,224
Cost of vehicles sold	31,760,308	37,298,495	-	-
Provision for impairment of receivables (note 13)	(142,799)	(70,983)	-	-
Depreciation on property, plant and equipment (note 6)	860,842	857,053	21,710	18,107
Other	1,777,598	1,804,058	321,965	273,743
	50,774,186	61,694,920	1,390,324	1,431,074
Total cost of sales, distribution costs and administrative expenses	50,774,186	61,694,920	1,390,324	1,431,074

23. Expenses by nature - continued

(b) Net operating expenses in the technical account

	2017 €	2016 €
Acquisition costs	7,103,867	6,416,705
Change in deferred acquisition costs (note 14)	(328,646)	(177,271)
Administrative expenses	3,220,132	2,954,040
	9,995,353	9,193,474

(c) Directors' emoluments (included in administrative expenses)

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Directors' remuneration	436,274	645,469	436,274	645,469
Directors' fees	120,000	170,000	70,000	70,000
	556,274	815,469	506,274	715,469

(d) Auditor's fees:

Fees charged by the auditor to the Group for services rendered during the financial periods ended 31 December 2017 and 2016 relate to the following:

	2017 €	2016 €
Annual statutory audit	108,194	101,781
Tax advisory and compliance services	17,151	28,139
Other non-audit services	8,336	14,539
Other assurance services	22,420	-
	156,101	144,459

24. Employee benefit expense

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Wages and salaries	12,696,561	12,491,276	1,230,573	1,484,476
Social security costs	850,273	825,342	40,521	36,807
	13,546,834	13,316,618	1,271,094	1,521,283
Recharged to group undertakings	-	-	(224,445)	(382,059)
	13,546,834	13,316,618	1,046,649	1,139,224

24. Employee benefit expense - continued

The average number of persons employed by the Group during the year was:

	Group	
	2017	2016
Direct	407	399
Indirect	75	85
Administrative	38	46
	520	530

25. Income from investment property

	Group	
	2017 €	2016 €
Profit on disposal of investment property	313,862	185,234
Changes in fair value of investment property (note 7)	9,163,865	336,751
	9,477,727	521,985

26. Investment and other related income

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Dividend income from subsidiaries	-	-	3,539,161	5,530,655
Dividend and other income on available-for-sale financial assets	214,500	958,740	-	-
Investment return from insurance investments (note 31)	1,707,858	346,571	-	-
Income from transfer of shares in subsidiaries	-	1,173,900	-	1,173,900
	1,922,358	2,479,211	3,539,161	6,704,555

27. Finance income

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Amounts owed by associates	203,250	-	203,250	-
Amounts owed by subsidiaries	-	-	157,548	564,648
Hire purchase	909,357	707,304	-	-
Other	27,324	4,296	-	-
	1,139,931	711,600	360,798	564,648

28. Finance costs

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Bond interest	1,223,677	1,224,908	-	-
Interest payable to subsidiaries	-	-	1,408,138	1,149,762
Bank interest and charges	785,080	722,878	93,177	128,993
Other interest and charges	224,109	207,540	149,880	147,405
	2,232,866	2,155,326	1,651,195	1,426,160

29. Tax expense

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current tax expense	3,400,927	2,692,751	699,946	1,852,919
Deferred tax (note 18)	1,590,089	2,606,113	-	-
Tax expense	4,991,016	5,298,864	699,946	1,852,919

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit before tax	20,381,323	14,625,556	1,934,749	5,268,929
Tax on profit at 35%	7,133,463	5,118,945	677,162	1,844,125
Expenses not deductible for tax purposes	263,530	178,934	22,784	2,561
Exempt income and income taxed at a reduced rate	(438,314)	(123,527)	-	-
Movements applicable to investment property	(2,399,835)	365,421	-	-
Maintenance allowance claimed on rented property	(145,388)	(150,026)	-	-
Under provision in prior years	(31,976)	(48,777)	-	-
Temporary differences on results of associates	165,799	(301,710)	-	-
Unrecognised deferred tax movements	446,880	286,093	-	6,233
Tax credits	(3,143)	(26,489)	-	-
Tax expense	4,991,016	5,298,864	699,946	1,852,919

30. Dividends

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Dividends paid on ordinary shares: Net	3,000,000	3,500,000	3,000,000	3,500,000
Dividends paid on preference shares: Net	7,570	7,570	-	-
	3,007,570	3,507,570	3,000,000	3,500,000
Dividends per ordinary share	5.27	6.14	5.27	6.14
Dividends per preference share	0.31	0.31	-	-

The preference dividend is payable by a subsidiary company to the parent company of the group.

31. Insurance company - Investment return

	2017 €	2016 €
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	111,884	100,868
Income from financial assets at fair value through profit or loss:		
- Dividend income	262,489	185,483
- Interest income	503,037	499,748
Rental income	321,114	172,654
Exchange differences	(364,684)	(93,227)
Net gains from financial assets at fair value through profit or loss	997,169	454,214
Gains on revaluation of investment property	1,213,138	-
Loss from investment in joint venture	(61,524)	-
	2,982,623	1,319,740
Investment expenses and charges		
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	211,778	188,946
Investment expenses	76,034	41,126
	287,812	230,072
Total investment return	2,694,811	1,089,668
Analysed between:		
Allocated investment return transferred to the general business technical account	986,953	743,097
Investment return included in the non-technical account	1,707,858	346,571
	2,694,811	1,089,668

32. Cash generated from/(used in) operating activities

Reconciliation of operating profit/(loss) to net cash generated from/(used in) operations:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Operating profit/(loss)	20,025,613	6,962,961	(314,015)	(574,114)
Adjustments for:				
Depreciation of property, plant and equipment	860,842	857,053	21,710	18,107
Amortisation of bond issue costs	80,592	80,592	-	-
Provision for impairment of trade receivables	(142,799)	(70,983)	-	-
Movement in deferred acquisition costs	(328,646)	(177,271)	-	-
Gain on disposal of property, plant and equipment	(26,048)	(3,154)	-	-
Gain on disposal of investment property	(313,862)	(182,080)	-	-
Gain on disposal of insurance investment property	(37,868)	-	-	-
Changes in fair value of insurance investments	(764,035)	(428,634)	-	-
Changes in fair value of investment property	(9,163,865)	(336,751)	-	-
Changes in fair value of insurance investment property	(1,213,138)	-	-	-
Changes in working capital:				
Inventories	(960,714)	1,744,050	-	-
Trade and other receivables	2,393,049	(2,382,445)	6,389,101	(897,848)
Trade and other payables	(2,794,075)	(2,352,726)	(9,986,750)	(435,561)
Technical provisions (net)	3,925,704	1,228,311	-	-
Cash generated from/(used in) operations	11,540,750	4,938,923	(3,889,954)	(1,889,416)

33. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents comprise the following:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	6,212,265	9,904,539	2,305	2,257
Bank overdrafts (note 19)	(24,704,226)	(22,986,627)	(3,701,265)	(4,641,273)
Cash and cash equivalents	(18,491,961)	(13,082,088)	(3,698,960)	(4,639,016)

Cash at bank and in hand include amounts held with investment managers amounting to €4,419,864 (2016: €5,258,781).

34. Commitments

Group

(i) Operating lease commitment – where the Group is the lessor

Lease of property

The future minimum lease payments receivable under non cancelled operating leases are as follows:

	Group	
	2017	2016
	€	€
No later than 1 year	1,182,690	2,020,645
Later than 1 year and no later than 5 years	611,998	819,332
Later than 5 years	16,701	33,969
	1,811,389	2,873,946

Company

Operating lease commitments – where the Company is the lessee

The future aggregate lease payments under non-cancellable operating leases are as follows:

	2017	2016
	€	€
No later than 1 year	55,250	55,250

35. Contingencies

- (i) At 31 December 2017 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The Group has given guarantees to third parties amounting to €14,527,926 and GBP350,000 (2016: €20,651,255 and GBP350,000).
- (ii) The Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €284,822 (2016: €284,822) relating to year of assessment 1977 to 1995 inclusive in respect of which no provision has been made in these financial statements.
- (iii) The Company has issued guarantees in respect of subsidiaries' and related parties' banking facilities, and in favour of third parties, amounting to €12,789,073 (2016: €17,575,226).
- (iv) Upon merger with Gasan Investments Limited, Gasan Group Limited acquired a dispute with the Commissioner of Inland Revenue over tax claimed amounting to €104,782 (2016: €104,782) relating to years of assessment 1984 to 1986, 1994, 1997 and 1999 for which no provision has been made in these financial statements.
- (v) As at the year-end, the Group had pending claims not exceeding €110,000 (2016: €110,000) filed by third parties in the ordinary course of activities. The Group is defending these claims and at this stage it is premature to determine the financial impact, if any, on the financial position of Group.
- (vi) Following the publication of the commencement notice on 16 April 2004, the Waste Management (End of Life Vehicles) Regulations, 2004 came into force with effect from 1 May 2004. These regulate the collection, reuse, recycling and other forms of recovery of all end of life vehicles. Under these regulations importers of vehicles must meet all, or a significant part of, the cost of implementing measures necessary for the application of such regulations with effect from 1 May 2004 in respect of vehicles put on the market from 1 July 2003 and with effect from 1 January 2007 for vehicles put on the market before 1 July 2003. The Group is assessing its obligations under these regulations and considering the implementation of certain measures in accordance with these regulations. In the opinion of the directors, these regulations will not have a material effect on the financial results and financial position of the Group.

36. Subsidiaries

The principal subsidiaries of the Gasan Group are as follows:

Company details	Principal activity	Held directly by subsidiaries % holding		Gasan Group Limited % effective holding	
		2017	2016	2017	2016
Gasan Enterprises Limited Gasan Centre Mriehel By-Pass Mriehel Malta	Renting/holding of property and investments	-	-	100.00	100.00
Gasan Finance Company p.l.c. Gasan Centre Mriehel By-Pass Mriehel Malta	Renting of property, acquisition of bills of exchange and raising of finance	100.00	100.00	100.00	100.00
GasanMamo Insurance Limited Msida Road Gzira Malta	General insurance business	-	-	56.25	56.25
GasanMamo Financial Services Limited Msida Road Gzira Malta	Investment services business	50.60	50.60	50.60	50.60
Gasan Properties Limited Gasan Centre Mriehel By-Pass Mriehel Malta	Administration of own property	-	-	100.00	100.00
GM Insurance Brokers Limited 174 Old Bakery Street Valletta Malta	Brokering of insurance and reinsurance	-	-	56.25	56.25

36. Subsidiaries - continued

Company details	Principal activity	Held directly by subsidiaries % holding		Gasas Group Limited % effective holding	
		2017	2016	2017	2016
Mekanika Limited Gasas Centre Mriehel By-Pass Mriehel Malta	Engineering contracting services	0.70	0.70	100.00	100.00
GasasZammit Motors Limited Gasas Centre Mriehel By-Pass Mriehel Malta	Motor vehicle dealership	-	-	52.50	52.50
GasasZammit International Limited Gasas Centre Mriehel By-Pass Mriehel Malta	Motor vehicle dealership	-	-	65.50	65.50

37. Related party transactions

Group

In the normal course of business, the Group enters into various transactions with related parties. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operational decisions. These include directors and shareholders who hold a substantial amount of the votes able to be cast at general meetings.

The following transactions were carried out by the Group with its associates:

	2017 €	2016 €
Income		
Sales	142,339	258,145

37. Related party transactions - continued

The directors of all subsidiaries are considered as key management personnel. The following represents compensation to the directors of the Company (note 23(c)) and of all subsidiaries:

	2017	2016
	€	€
Key management compensation		
Salaries and other emoluments	1,195,939	1,238,098

Company

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

The following transactions were carried out by the Company with related parties:

	2017	2016
	€	€
Revenue		
Management fee income	1,075,620	855,505
Finance income	360,798	564,648
Dividends receivable	3,539,160	5,530,655
Expenses		
Rent payable	50,250	50,250
Finance costs	1,070,367	1,297,167

The Company acts as a provider of finance to most of the companies forming part of the Gasan Group.

Key management personnel compensation consisting of directors' remuneration is disclosed in (note 23(c)) to these financial statements.

Year end balances owed by/to related parties are disclosed separately in notes 13 and 21 to these financial statements.

38. Statutory information

Gasas Group Limited is a limited liability company and is incorporated in Malta.

The parent company of Gasan Group Limited is JAG Holdings Limited, a company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel.

The ultimate parent company of Gasan Group Limited 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 Group Limited and of J.A.G. Limited is Mr. J. A. Gasan. The financial statements of Gasan Group Limited are included in the consolidated financial statements prepared by J.A.G. Limited.

39. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.