GASAN GROUP LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2018

Company Registration Number: C29585

Directors' report

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

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, investments at fair value through OCI 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 €18,683,049 (2017: €20,381,323). The net result of the statement of comprehensive income amounts to €21,602,875 (2017: €15,136,911). 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 2018, the Group recognised an increase in the fair value of investment property amounting to €10,715,001 (2017: increase €10,377,003).

Company results

The Company registered a profit after tax of €1,132,866 for the year ended 31 December 2018 (2017: €1,234,803). 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 2018, the Company paid final dividend of €2,000,000 (2017: €3,000,000).

Directors

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

Joseph A. Gasan
Michael Soler
Sylvia Trapani Galea Feriol
Mark Gasan
Kevin Valenzia (appointed on 7 January 2019)
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

Mark Gasan
Director

Registered office:
Gasan Centre
Mriehel By-Pass
Mriehel
Malta

30 May 2019

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 2018, 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 101, comprise:

- the consolidated and parent company statements of financial position as at 31 December 2018;
- 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 these Codes.

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.

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

Simon Flynn
Partner

30 May 2019

Statements of financial position

		At 31 December			
		Group		Company	
	Notes	2018	2017	2018	2017
		€	€	€	€
ASSETS					
Non-current assets					
Intangible assets	5	**647,978**	647,978	-	-
Property, plant and equipment	6	**24,663,253**	24,536,029	**84,125**	52,771
Investment property	7	**61,218,324**	45,581,254	-	-
Investment in subsidiaries	8	-	-	**15,980,960**	15,980,960
Investment in associates	9	**41,839,015**	44,146,058	**258,750**	258,750
Other investments	10	**16,729,220**	8,694,451	**13,265,181**	22,578,435
		145,097,790	123,605,770	**29,589,016**	38,870,916
Other non-current assets					
Deferred tax	18	**1,141,789**	563,895	**17,112**	17,112
Trade and other receivables	13	**10,662,211**	8,331,295	-	-
		11,804,000	8,895,190	**17,112**	17,112
Insurance company					
Investments	11	**32,786,378**	33,776,752	-	-
Investment property	7	**11,852,673**	10,515,358	-	-
Cash and cash equivalents	33	**11,123,204**	5,639,335	-	-
		55,762,255	49,931,445	-	-
Total non-current assets		**212,664,045**	182,432,405	**29,606,128**	38,888,028
Reinsurers' share of technical provisions	20	**2,867,032**	1,360,758	-	-
Current assets					
Inventories	12	**13,846,885**	14,827,328	-	-
Property held for resale	12	-	3,500,000	-	-
Trade and other receivables	13	**24,206,858**	25,074,033	**6,768,294**	4,889,820
Current tax assets		**1,583,955**	2,319,248	**1,328,219**	1,692,000
Deferred acquisition costs	14	**3,764,556**	3,401,450	-	-
Cash and cash equivalents	33	**203,931**	572,930	**1,581**	2,305
Total current assets		**43,606,185**	49,694,989	**8,098,094**	6,584,125
Total assets		**259,137,262**	233,488,152	**37,704,222**	45,472,153

Statements of financial position - continued

		At 31 December			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	15	**1,327,046**	1,327,046	**1,327,046**	1,327,046
Revaluation reserve	16	**13,629,855**	16,536,817	**-**	-
Other reserves	17	**44,856,161**	28,658,622	**926,914**	926,914
Retained earnings		**57,134,635**	53,521,293	**17,794,373**	18,661,507
		116,947,697	100,043,778	**20,048,333**	20,915,467
Non-controlling interests		**15,240,164**	13,604,286	**-**	-
Total equity		**132,187,861**	113,648,064	**20,048,333**	20,915,467
Non-current liabilities					
Deferred tax	18	**8,910,966**	8,123,574	**-**	-
Borrowings	19	**30,824,524**	30,743,932	**6,000,000**	6,000,000
Total non-current liabilities		**39,735,490**	38,867,506	**6,000,000**	6,000,000
Insurance company					
Technical provisions	20	**40,351,312**	35,545,949	**-**	-
Current liabilities					
Trade and other payables	21	**20,927,467**	20,218,286	**7,770,121**	14,319,438
Borrowings	19	**24,545,108**	24,704,226	**3,885,768**	4,237,248
Current tax liabilities		**1,390,024**	504,121	**-**	-
Total current liabilities		**46,862,599**	45,426,633	**11,655,889**	18,556,686
Total liabilities		**126,949,401**	119,840,088	**17,655,889**	24,556,686
Total equity and liabilities		**259,137,262**	233,488,152	**37,704,222**	45,472,153

The notes on pages 18 to 101 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 101 were authorised for issue by the Board on 30 May 2019 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	**2018**	2017	**2018**	2017
		€	€	**€**	€
Revenue	22	**60,985,319**	53,051,677	**-**	-
Cost of sales	23	**(52,785,961)**	(46,631,481)	**-**	-
		8,199,358	6,420,196	**-**	-
Contribution from insurance operations (page 13)		**6,379,699**	7,122,510	**-**	-
Gross profit		**14,579,057**	13,542,706		-
Distribution costs	23	**(263,231)**	(279,799)	**-**	-
Administrative expenses	23	**(4,526,983)**	(3,862,906)	**(1,691,158)**	(1,390,324)
Other income – net		**697,050**	1,147,885	**1,602,843**	1,076,309
Income from investment property	25	**10,778,694**	9,477,727	**-**	-
Operating profit/(loss)		**21,264,587**	20,025,613	**(88,315)**	(314,015)
Investment and other related income	26	**1,256,559**	1,922,358	**3,850,231**	3,539,161
Finance income	27	**1,115,713**	1,139,931	**-**	360,798
Finance costs	28	**(2,480,678)**	(2,232,866)	**(1,971,479)**	(1,651,195)
Profit before impairment and before share of results of associates		**21,156,181**	20,855,036	**1,790,437**	1,934,749
Share of results of associates	9	**(2,473,132)**	(473,713)	**-**	-
Profit before tax		**18,683,049**	20,381,323	**1,790,437**	1,934,749
Tax expense	29	**(4,503,598)**	(4,991,016)	**(657,571)**	(699,946)
Profit for the year		**14,179,451**	15,390,307	**1,132,866**	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	**-**	-
- Fair value movement on hedging reserve, net of deferred tax	17	**-**	(725,000)	**-**	-
Fair value through OCI financial assets					
- changes in fair value	10	**7,595,283**	-	**-**	-
Available-for-sale financial assets					
- changes in fair value	10	**-**	(27,513)	**-**	-
Fair value through OCI financial assets					
- result of disposals and transfers	10	**(171,859)**	-	**-**	-
Other comprehensive income for the year, net of tax		**7,423,424**	(253,396)	**-**	-
Total comprehensive income for the year		**21,602,875**	15,136,911	**1,132,866**	1,234,803

Statements of comprehensive income - continued

	Year ended 31 December			
	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Profit attributable to:				
- Owners of the Company	**11,749,823**	12,365,902	**1,132,866**	1,234,803
- Non-controlling interests	**2,429,628**	3,024,405	**-**	-
	14,179,451	15,390,307	**1,132,866**	1,234,803
Total comprehensive income attributable to:				
- Owners of the Company	**19,173,247**	12,112,506	**1,132,866**	1,234,803
- Non-controlling interests	**2,429,628**	3,024,405	**-**	-
	21,602,875	15,136,911	**1,132,866**	1,234,803

The notes on pages 18 to 101 are an integral part of these consolidated financial statements.

Technical account - General business of insurance

	Notes	Year ended 31 December 2018 €	2017 €
Earned premiums, net of reinsurance			
Gross premiums written		**44,604,225**	38,938,317
Outward reinsurance premiums		**(3,888,945)**	(2,913,365)
Net premiums written		**40,715,280**	36,024,952
Change in the gross provision for unearned premiums			
- Gross amount		**(1,979,458)**	(2,222,632)
Earned premiums, net of reinsurance		**38,735,822**	33,802,320
Allocated investment return transferred from the non-technical account	31	**(1,433,716)**	986,953
Total technical income		**37,302,106**	34,789,273
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		**18,641,347**	16,213,770
- reinsurers' share		**(520,177)**	(245,432)
		18,121,170	15,968,338
Change in the provision for claims			
- gross amount		**2,306,460**	1,967,214
- reinsurers' share		**(986,827)**	(264,142)
		1,319,633	1,703,072
Claims incurred, net of reinsurance		**19,440,803**	17,671,410
Net operating expenses	23	**11,481,604**	9,995,353
Total technical charges		**30,922,407**	27,666,763
Balance on the technical account for general business (page 11)		**6,379,699**	7,122,510

The notes on pages 18 to 101 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group	Notes	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €	Non-controlling interests €	Total €
		Attributable to owners of the Company						
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**

Statements of changes in equity - continued

Group	Notes	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €	Non-controlling interests €	Total €
		Attributable to owners of the Company						
Balance at 1 January 2018 - as originally reported		1,327,046	16,536,817	28,658,622	53,521,293	100,043,778	13,604,286	113,648,064
Impact of changes in accounting policies								
Transition adjustment upon adoption of IFRS 9 on 1 January 2018		-	-	-	(261,758)	(261,758)	-	(261,758)
Balance at 1 January 2018 - as restated		1,327,046	16,536,817	28,658,622	53,259,535	99,782,020	13,604,286	113,386,306
Comprehensive income								
Profit for the year		-	-	-	11,749,823	11,749,823	2,429,628	14,179,451
Other comprehensive income								
Fair value through OCI financial assets								
- as a result of changes in fair value, net of deferred tax	17	-	-	7,595,283	-	7,595,283	-	7,595,283
Share of associate's reserve								
- Transfer upon realisation of revaluation of land and buildings, net of deferred tax, through disposal of associate's subsidiary	16	-	(2,906,962)	-	2,906,962	-	-	-
Investment property								
- as a result of changes in fair value	17	-	-	8,788,333	(8,788,333)	-	-	-
- as a result of disposals	17	-	-	(186,077)	14,218	(171,859)	-	(171,859)
Total other comprehensive income		-	(2,906,962)	16,197,539	(5,867,153)	7,423,424	-	7,423,424
Total comprehensive income		-	(2,906,962)	16,197,539	5,882,670	19,173,247	2,429,628	21,602,875
Transactions with owners								
Dividends relating to 2018	30	-	-	-	(2,007,570)	(2,007,570)	(793,750)	(2,801,320)
Total transactions with owners		-	-	-	(2,007,570)	(2,007,570)	(793,750)	(2,801,320)
Balance at 31 December 2018		**1,327,046**	**13,629,855**	**44,856,161**	**57,134,635**	**116,947,697**	**15,240,164**	**132,187,861**

The notes on pages 18 to 101 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 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**
Balance at 1 January 2018		1,327,046	926,914	18,661,507	20,915,467
Comprehensive income					
Profit for the year – total comprehensive income		-	-	1,132,866	1,132,866
Transactions with owners					
Dividend relating to 2018	30	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2018		**1,327,046**	**926,914**	**17,794,373**	**20,048,333**

The notes on pages 18 to 101 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
		Year ended 31 December			
Cash flows from operating activities					
Cash generated from/(used in) operations	32	**16,276,351**	11,540,750	**(8,496,411)**	(3,889,954)
Investment income		**1,256,559**	1,922,358	**3,850,231**	3,539,161
Interest income		**1,115,713**	1,139,931	**-**	360,798
Interest expense		**(2,480,678)**	(2,232,866)	**(1,971,479)**	(1,651,195)
Tax refunds received		**1,053,791**	-	**1,053,791**	-
Net tax paid		**(3,726,695)**	(4,200,867)	**(1,347,581)**	(573,951)
Net cash generated from/(used in) operating activities		**13,495,041**	8,169,306	**(6,911,449)**	(2,215,141)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(1,127,172)**	(830,029)	**(51,049)**	(21,329)
Purchase of investment property		**(2,153,376)**	(3,181,715)	**-**	-
Purchase of investment in associates		**(166,089)**	(12,663,912)	**-**	-
Purchase of financial investments		**(631,687)**	-	**-**	(119,952)
Purchase of insurance investments		**(16,983,721)**	(9,849,918)	**-**	-
Purchase of insurance investment property		**(599,658)**	(1,575,897)	**-**	-
Loans and receivables		**-**	-	**9,313,254**	-
Insurance company – loans and receivables		**(415,310)**	2,732,596	**-**	-
Purchase of investment in joint ventures		**(58,840)**	-	**-**	-
Disposal of property, plant and equipment		**86,212**	78,189	**-**	-
Disposal of associate		**-**	-	**-**	1,110,360
Disposal of investment property		**795,000**	4,473,589	**-**	-
Disposal of insurance investment property		**-**	125,000	**-**	-
Disposal of financial investments		**20,341**	-	**-**	-
Disposal of insurance investments		**15,814,567**	5,180,713	**-**	-
Net cash (used in)/generated from investing activities		**(5,419,733)**	(15,511,384)	**9,262,205**	969,079
Cash flows from financing activities					
Redemption of bond		**-**	(94,600)	**-**	-
Repayments of borrowings		**-**	-	**-**	(813,882)
Increase in borrowings		**-**	6,000,000	**1,231,332**	6,000,000
Dividends paid		**(2,000,000)**	(3,000,000)	**(2,000,000)**	(3,000,000)
Dividends paid to minority shareholders		**(793,750)**	(965,625)	**-**	-
Dividends paid to preference shareholders		**(7,570)**	(7,570)	**-**	-
Net cash (used in)/generated from financing activities		**(2,801,320)**	1,932,205	**(768,668)**	2,186,118
Net movement in cash and cash equivalents		**5,273,988**	(5,409,873)	**1,582,088**	940,056
Cash and cash equivalents at beginning of year		**(18,491,961)**	(13,082,088)	**(3,698,960)**	(4,639,016)
Cash and cash equivalents at end of year	33	**(13,217,973)**	(18,491,961)	**(2,116,872)**	(3,698,960)

The notes on pages 18 to 101 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

Gasan Group Limited was incorporated on 17 April 2002 and, shortly afterwards, acquired a 100% holding of Gasan Enterprises Limited, Gasan 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 Gasan 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 GasanMamo 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, financial assets at fair value through OCI, 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 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies apart from the adoption of IFRS 9, Financial Instruments (IFRS 9) and IFRS 15, Revenue from Contracts with Customers (IFRS 15).

The impact of the adoption of these standards and the new accounting policies is disclosed below.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies and as explained below, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

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

Statement of financial position (extract)	Based on 31 December 2017 - as originally reported €000	Impact of adoption of IFRS 9 €000	1 January 2018 - restated €000
ASSETS			
Current assets			
Trade and other receivables	25,074	(262)	24,812
Total current assets	49,695	(262)	49,343
Total assets	233,488	(262)	233,226
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings	53,521	(262)	53,259
Total equity	113,648	(262)	113,386

(b) IFRS 9, Financial Instruments - impact of adoption

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

The adoption of IFRS 9, Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.8. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018 €000
Retained earnings as originally stated – based on 31 December 2017 figures	53,521
Adjustment to retained earnings upon adoption of IFRS 9 on 1 January 2018: Decrease in impairment allowances on trade receivables	(262)
Retained earnings as restated	53,259

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories.

The main effect resulting from this classification comprised the reclassification of other investments from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This reclassification had no impact on the Group's equity.

The key financial assets presented in the statements of financial position, comprising trade and other receivables, amounts receivable from subsidiaries and cash equivalents, were classified as loans and receivables measured at amortised cost for IAS 39 purposes and remain categorised as financial assets measured at amortised cost under IFRS 9 requirements.

(ii) Impairment of financial assets

The Group has two main types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of services;
- contract assets relating to service contracts with customers.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in Note (b) above.

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

Trade receivables and contract assets

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

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(b) IFRS 15, Revenue from Contracts with Customers – impact of adoption

The Group has adopted IFRS 15, Revenue from Contracts with Customers from 1 January 2018 which did not result in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

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 2018. 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.

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. Summary of significant accounting policies - continued

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.

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.

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

1.2 Consolidation - continued

(c) Associates - continued

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.

(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.

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

1.4 Property, plant and equipment - continued

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	$7^1/_2$ - $33^1/_3$
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 1.8).

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.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

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.

1.7 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

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

1.8 Financial assets - continued

1.8.2 Recognition and derecognition

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

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

1.8.3 Measurement

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

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

<u>Debt instruments</u>

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

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

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

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

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

1.8 Financial assets - continued

Equity instruments

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

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

1.8.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 1 (a) (ii) for further details).

Accounting policies applied until 31 December 2017

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

1.8.5 Classification

The Group classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.11 and 1.12).

1.8.6 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the 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 requirements applicable to the respective financial assets.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

1.8.7 Impairment

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

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

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

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

1.10 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.

1.11 Trade and other receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.13 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.

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

1.15 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

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:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

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

1.16 Insurance contracts - classification - continued

Insurance contracts - General business - continued

(e) 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.

(f) 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.

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 1.8.

1. Summary of significant accounting policies - continued

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.

1.19 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.

1. Summary of significant accounting policies - continued

1.20 Current and deferred tax - continued

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).

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. Summary of significant accounting policies - continued

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.

(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. Summary of significant accounting policies - continued

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.

1.28 Contract costs

Contract costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to employees) and the costs to fulfill a contract. These must be capitalised if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfill a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfillment and cannot be capitalised under any other standard. The Group makes use of the option to immediately recognise contract costs as an expense if the amortisation period of the asset it would have recognised in respect of them, would not have exceeded a year.

The costs of obtaining service contracts are capitalised and released to profit or loss on a straight-line basis over the enforceable contract term.

Costs to fulfill a contract, when they qualify as non-distinct from the performance obligation, are capitalised and costs incurred are recorded on a time-apportioned basis over the effective period of the contract. The assumptions underlying the period over which the costs of fulfilling a contract are expensed are periodically reviewed and adjusted in line with observations; termination of the contractual relationship with the customer results in the immediate expensing of the remaining deferred costs. Where the carrying amount of deferred costs exceeds the remaining consideration expected to be received for the transfer of the related goods and services, less expected costs relating directly to the transfer of these goods and services still to be incurred, the excess amount is similarly immediately expensed.

1. Summary of significant accounting policies - continued

1.29 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance or prepaid packages (previously recognised in deferred income).

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.

(a) 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, investments at fair value through OCI (local debt securities) and long-term loans.

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group does not hold any significant collateral as security in this respect.

<u>Trade and other receivables (including contract assets)</u>

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to contractual debts, these material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

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

Impairment of trade and other receivables (including contract assets)

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (upon adoption of IFRS 9) was determined to be nil.

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

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

Previous accounting policy for impairment of trade and other receivables

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

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(a) Credit risk - continued

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

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

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

Cash and cash equivalents

The Group principally banks with local and European financial institutions with high quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Amounts due from relates parties

The Group's receivables include amounts owed by related parties (Note 13). The Group monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. Since these balances are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

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 €3,432,323 (2017: €3,597,295) 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 were 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 €4,509,951 (2017: €4,766,943) are due from 19 customers (2017: 20 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.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

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).

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 2018			
	AAA to A-	BBB to B-	Unrated	Total
	€	€	€	€
Investments				
Fair value through OCI	139,005	-	16,590,215	16,729,220
Loans and receivables				
Advances to associates and related companies	-	-	3,508,396	3,508,396
Amounts recoverable on contracts	-	-	3,022,061	3,022,061
Receivables and HP receivables	-	-	28,603,972	28,603,972
Other receivables	-	-	684,824	684,824
Cash and cash equivalents	-	12,774	191,157	203,931
	-	12,774	36,010,410	36,023,184
Total assets bearing credit risk	**139,005**	**12,774**	**52,600,625**	**52,752,404**

	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	-	-	3,550,313	3,550,313
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
	-	-	35,736,998	35,736,998
Total assets bearing credit risk	**146,841**	**-**	**44,284,608**	**44,431,449**

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

As at 31 December 2018, 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.

(b) Market risk

(i) 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:

	2018	2017
	€	€
Assets at fixed interest rates	**139,005**	146,841

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

(b) Market risk - continued

(ii) 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:

	2018	2017
	€	€
Assets subject to equity price risk		
Local listed	**16,538,466**	8,309,511

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 €1,653,847 (2017: €830,951).

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.

(c) 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

(c) 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 2018						
Bank overdraft	24,545,108	24,545,108	24,545,108	-	-	-
Trade and other payables	17,814,684	17,814,684	17,814,684	-	-	-
Bond	24,824,524	26,118,422	-	1,220,022	24,898,400	
Bank loan	6,000,000	6,000,000	-	-	1,715,000	4,285,000
Total	**73,184,316**	**74,478,214**	**42,359,792**	**1,220,022**	**26,613,400**	**4,285,000**
31 December 2017						
Bank overdraft	23,908,245	23,908,245	23,908,245	-	-	-
Trade and other payables	18,025,318	18,025,318	18,025,318	-	-	-
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	**72,677,495**	**75,272,007**	**41,933,563**	**1,220,022**	**27,833,422**	**4,285,000**

As at 31 December 2018, 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 2018 the Company's current liabilities exceeded current assets by €3,557,795 (2017: €11,972,561). Included in current liabilities are amounts due to ultimate parent, subsidiaries, associate and related parties amounting to €7,150,168 (2017: €13,436,005). In addition, bank borrowings include a bank overdraft amounting to €2,118,453 (2017: €3,701,265).

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

(c) 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 2018						
Bank overdraft	2,118,453	2,118,453	2,118,453	-	-	-
Amounts owed to subsidiary	1,767,315	1,767,315	1,767,315	-	-	-
Trade and other payables	7,769,419	7,769,419	7,769,419	-	-	-
Bank loan	6,000,000	6,000,000	-	-	1,715,000	4,285,000
Total	**17,655,187**	**17,655,187**	**11,655,187**	**-**	**1,715,000**	**4,285,000**
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**

2.2 Fair values of financial instruments

At 31 December 2018 and 2017, 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 financial assets at fair value through OCI 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).

2018	**Level 1** **€**	**Level 3** **€**	**Total balance** **€**
Assets			
Fair value through OCI financial assets			
- Equity securities	16,538,466	51,749	16,590,215
- Debt investments	139,005	-	139,005
Total assets	**16,677,471**	**51,749**	**16,729,220**

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

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 periodic intervals in certain months of the year. 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 mainly of a variety of non-proportional programs, with deductibles that are commensurate with the subsidiary's financial standing. In certain specific cases, proportional protection is purchased, especially in the case of new areas/ lines of business. This is done to afford increased protection against volatility which can occur in such cases. 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, oversee and/or 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 two overseas agents, all of which are monitored by appropriate auditing processes carried out by Head Office personnel. 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 88% (2017: 90%) of its premium income from risks written in Malta whilst the other 12% (2017: 10%) is derived from risks written in Cyprus, France and Greece.

Property risks underwritten by the subsidiary are mainly geographically situated on the Maltese Islands with some 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 longer period and in addition to case estimates, an element of claims provision at year-end 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 in overall terms proven to be sufficient to meet the ultimate cost. In calculating the estimated cost of notified but unpaid claims, the subsidiary's estimation techniques include 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 coupled with an estimation of claims recoveries and IBNR. The subsidiary's independent actuarial function holder periodically reviews the estimation methodology and reports his observations to management.

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.

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

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

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.

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.

Fair value 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 short term nature of the subsidiary's external borrowings. Notes 11, 13, 19 and 21 incorporate 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:

	2018	2017
	€	€
Assets at floating interest rates	**11,569,628**	4,945,746
Assets at fixed interest rates	**20,927,499**	19,226,018
	32,497,127	24,171,764
Liabilities at floating interest rates	**-**	795,981

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

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.

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 2018 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 pre-tax profit for the year would have been €514,459 (2017: €502,954) higher. An increase of 50 basis points, with all other variables held constant, would have resulted in pre-tax profit being €496,025 (2017: €490,794) 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, localization, 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 the ability to meet claim liabilities.

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

	2018	2017
	€	€
Assets subject to equity price risk	**9,933,671**	12,744,567

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

3.2 Financial risk management - continued

(a) Market risk - continued

(ii) Price risk - continued

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.

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 €993,367 (2017: €1,274,457).

(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 2018, the subsidiary's exposure to foreign currency investments, principally comprising a mix of US Dollar and UK Pound, represented 6% of the subsidiary's total investments (2017: 9%). 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 mainly 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 by the subsidiary
5. Intercompany/related party borrowings
6. 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.

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

3.2 Financial risk management - continued

(b) Credit risk - continued

For the first two categories the subsidiary manages its credit risks through the work of its Debtors Review Committee. This committee meets on a regular basis and ensures that credit is controlled within pre-agreed timed payment schedules on a case-by-case basis. The subsidiary experiences an insignificant level of bad debts.

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.

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 & Poor's rating (or equivalent when not available) of "A minus".

The subsidiary is also exposed to credit risk on 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 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.

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

3.2 Financial risk management - continued

(b) Credit risk - continued

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

	As at 31 December 2018					
	AAA to AA- €	A+ to A- €	BB to BB- €	BBB+ to BBB- €	Unrated €	**Total €**
Investments						
Fair value through profit or loss	3,202,236	6,526,523	1,610,686	7,163,926	944,121	**19,447,492**
Deposits with banks or financial institutions	-	-	-	1,757,899	1,550,000	**3,307,899**
	3,202,236	6,526,523	1,610,686	8,921,825	2,494,121	**22,755,391**
Loans and receivables						
Receivables and accrued income	-	-	-	-	6,918,871	**6,918,871**
Cash and cash equivalents	499,032	87,479	195,695	7,452,728	2,888,270	**11,123,204**
	499,032	87,479	195,695	7,452,728	9,807,141	**18,042,075**
Total	3,701,268	6,614,002	1,806,381	16,374,553	12,301,262	**40,797,466**
Reinsurance share of technical provisions						**2,347,585**
Total assets bearing credit risk						**43,145,051**

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 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**

(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 reputable 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 and other 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 2018	**Contracted undiscounted cash outflows**				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other payables	1,963,716	-	-	-	1,963,716
Accruals and deferred income	1,149,067	-	-	-	1,149,067
	3,112,783	**-**	**-**	**-**	**3,112,783**

	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	**10,888,022**	**1,790,529**	**2,116,107**	**4,257,014**	**19,051,672**

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

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 2018, the subsidiary's eligible own funds amounting to €29,774,916 (2017: €27,622,830) were in excess of the required SCR.

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. At 31 December 2018 and 2017, 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.

	2018	2017
	€	€
Assets		
Financial assets at fair value through profit or loss:		
Investments - Level 1	**29,381,163**	30,845,687

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.

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 2018. 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

	2018	2017
	€	€
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 2017				
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
Year ended 31 December 2018				
Opening net book amount	22,863,660	1,323,898	348,471	24,536,029
Additions	105,108	543,869	478,195	1,127,172
Reclassification	(28,320)	-	(25,090)	(53,410)
Disposals	-	(8,532)	(174,800)	(183,332)
Depreciation charge	(220,834)	(456,916)	(214,666)	(892,416)
Depreciation released on disposals/transfer	5,664	8,311	115,235	129,210
Closing net book amount	**22,725,278**	**1,410,630**	**527,345**	**24,663,253**
At 31 December 2018				
Cost/valuation	26,346,577	10,258,261	1,566,372	38,171,210
Accumulated depreciation and impairment	(3,621,299)	(8,847,631)	(1,039,027)	(13,507,957)
Net book amount	**22,725,278**	**1,410,630**	**527,345**	**24,663,253**

6. **Property, plant and equipment** - continued

Group - 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:

	2018	2017
	€	€
Cost	**17,012,414**	16,935,626
Accumulated depreciation	**(3,647,004)**	(3,395,611)
Net book amount	**13,365,410**	13,540,015

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 2017			
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
Year ended 31 December 2018			
Opening net book amount	2,617	50,154	52,771
Additions	-	51,049	51,049
Depreciation charge	(37)	(19,658)	(19,695)
Closing net book amount	**2,580**	**81,545**	**84,125**
At 31 December 2018			
Cost	24,582	212,183	236,765
Accumulated depreciation	(22,002)	(130,638)	(152,640)
Net book amount	**2,580**	**81,545**	**84,125**

7. Investment property

(a) Non-current assets - Investment property

	Group	
	2018	2017
	€	€
Year ended 31 December		
Opening net book amount	**45,581,254**	37,225,389
Additions	**2,153,376**	3,181,588
Transfer from 'inventory'	**3,500,000**	170,000
Disposals	**(16,306)**	(4,159,588)
Fair value gain on revaluation (Note 25)	**10,000,000**	9,163,865
Closing net book amount	**61,218,324**	45,581,254
At 31 December		
Cost	**19,392,753**	17,106,369
Fair value gains	**41,825,571**	28,474,885
Net book amount	**61,218,324**	45,581,254

b) Insurance company - Investment property

	2018	2017
	€	€
Year ended 31 December		
Opening net book amount	**10,515,358**	7,813,455
Additions	**622,314**	1,575,897
Disposals	**-**	(87,132)
Fair value gain on revaluation (Note 31)	**715,001**	1,213,138
Closing net book amount	**11,852,673**	10,515,358
At 31 December		
Cost	**9,297,039**	8,674,725
Fair value gains	**2,555,634**	1,840,633
Net book amount	**11,852,673**	10,515,358

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 2018					
At beginning of year	22,472,769	20,739,981	1,407,257	961,247	45,581,254
Additions	2,116,677	7,850	25,200	3,649	2,153,376
Disposals	-	-	(16,306)	-	(16,306)
Reclassifications	3,500,000	-	-	-	3,500,000
Gains and losses recognised in profit or loss	10,000,000	-	-	-	10,000,000
At end of year	**38,089,446**	**20,747,831**	**1,416,151**	**964,896**	**61,218,324**
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

Insurance company - Investment property	Site for development €	Available for rent €	Total €
Fair value at 31 December 2018			
At beginning of year	-	10,515,358	10,515,358
Additions	-	622,314	622,314
Fair value gain on revaluation	-	715,001	715,001
At end of year	**-**	**11,852,673**	**11,852,673**
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

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 2018, 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 €21,556,007 (2017: €21,539,263), 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 (2017: €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 €39,662,317 (2017: €24,041,991), 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 2018 Description	Fair value €	Valuation technique	Significant unobservable inputs (weighted average) Capitalisation rates %
Commercial rents	20,747,831	Future rental cash flows	6% - 7%
Residential rents	808,176	Future rental cash flows	3% - 4%

31 December 2017 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%

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 €39,662,317 (2017: €24,041,991) 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:

	2018 €	2017 €
Cost	**28,689,793**	25,781,094
Accumulated depreciation	**(2,677,656)**	(2,648,569)
Net book amount	**26,012,137**	23,132,525

7. Investment property - continued

The Group's investment properties were revalued by the directors during the financial year ended 31 December 2018. 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 2017	
Cost and carrying amount	15,980,960
Year ended 31 December 2017	
At beginning and end of year	15,980,960
At 31 December 2017	
Cost and carrying amount	15,980,960
Year ended 31 December 2018	
At beginning and end of year	**15,980,960**
At 31 December 2018	
Cost and carrying amount	**15,980,960**

8. **Investments in subsidiaries** - continued

Company - continued

The subsidiaries at 31 December:

Subsidiaries	**Registered office**	**Class of shares held**	**Percentage of shares held 2018**	2017
Gasan Enterprises Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares Redeemable preference shares	**100.00%** **76.74%**	100.00% 76.74%
G M Insurance Brokers Limited	174 Old Bakery Street Valletta Malta	Ordinary shares	**56.25%**	56.25%
GasanMamo Insurance Limited	Msida Road Gzira Malta	Ordinary shares	**56.25%**	56.25%
Mekanika Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	**99.00%**	99.00%
GasanZammit Motors Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	**52.50%**	52.50%
Gasan Properties Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	**100.00%**	100.00%
GasanZammit International Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	**65.50%**	65.50%

9. Investment in associates

Group	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**44,146,058**	32,181,742
Share of results of associates from operating activities	**(2,473,132)**	(473,713)
Share of reserves of associates (Notes 16, 17)	**-**	(225,883)
Additions, net of repayments	**166,089**	12,663,912
At end of year	**41,839,015**	44,146,058
Cost	**34,194,845**	34,028,756
Share of results and reserves	**7,644,170**	10,117,302
Net book amount	**41,839,015**	44,146,058

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 2018	2017
Embassy Limited	Embassy St Lucia Street Valletta Malta	Ordinary shares	**50.00%**	50.00%
TumasGasan Holdings Limited	Tumas Group Corporate Office Level 3 Portomaso Business Tower Portomaso St Julians Malta	Ordinary shares	**50.00%**	50.00%

9. Investment in associates - continued

Group - continued

Associates	**Registered office**	**Class of shares held**	**Percentage of shares held by subsidiaries 2018**	2017
V & A Investments Limited	Zachary House Marsa Industrial Estate Marsa Malta	Ordinary shares	**21.00%**	21.00%
The Quad Limited	Gasan 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%**	35.17%

Embassy Limited holds 100% (2017: 100%) in Embassy Management Limited and Embassy Hotel Limited. The companies' registered office is Embassy, St Lucia Street, Valletta, Malta. Embassy Limited held 100% of Main Street Complex p.l.c. (MSC) (formerly Paola Complex Limited) up to 30 May 2018. By virtue of an ordinary resolution approved at Embassy Limited's Extraordinary General Meeting the sale of the Embassy Limited's shareholding in MSC was authorised to be effected. Embassy Limited sold 7,538,460 ordinary shares of MSC at an offer price of €0.65 per share, and its shareholding was diluted to 34% following the new offer of 5,230,769 ordinary shares by MSC. MSC's registered address is Main Street Complex, Antoine de Paule Square, Paola, Malta.

TumasGasan Holdings Limited holds 100% (2017: 100%) in TumasGasan Operators Limited, Ropes Limited and Ta' Monita Residence Condiminium 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 €5.1m, €11.4 and €13.6m (2017: €6.2m, €9m and €13.2m) 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

Group - continued

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

	2018	2017
	€	€
Total assets	**125,890,045**	108,854,888
Total liabilities	**(82,941,652)**	(80,878,315)
	42,948,393	27,976,573
Group's share of net assets of associates	**21,382,912**	15,928,194
Total revenue	**5,593,625**	8,812,112
Total results for the year	**(7,590,473)**	(4,527,358)
Total comprehensive income for the year	**-**	(1,063,182)
Share of results of associates	**(2,473,132)**	(473,713)
Share of comprehensive income of associates	**-**	(225,883)

Company	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**258,750**	1,369,110
Transfer to subsidiary	**-**	(1,110,360)
At end of year	**258,750**	258,750
At 31 December		
Cost	**2,009,293**	2,009,293
Provision for impairment on financial assets	**(1,750,543)**	(1,750,543)
At end of year	**258,750**	258,750

9. Investment in associates - continued

Company - continued

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

Associate	Registered office	Class of shares held	Percentage of shares held 2018	2017
Abacus Risk Management Services PCC Limited	LF3, Third Floor GasanMamo Head Office Msida Road Gzira Malta	Ordinary shares	**45.00%**	45.00%
GV Investments Limited	Gasan Centre Mriehel By-Pass Mriehel Malta	Ordinary shares	**50.00%**	50.00%

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.

	2018 €	2017 €
Investment at fair value through OCI - non-current	**16,729,220**	-
Available-for-sale investments - non-current	-	8,694,451
	16,729,220	8,694,451

10. **Other investments** - continued

Group - continued

(a) Investments at fair value through OCI

	2018 €	2017 €
Equity securities and other variable yield securities	**16,590,215**	8,547,610
Debt securities – listed fixed interest rate	**139,005**	146,841
	16,729,220	8,694,451

Equity securities and other variable yield securities are classified as non-current and include unlisted securities amounting to €nil (2017: €186,000).

The above investments include amounts advanced to unquoted companies. These are classified as investments at fair value through OCI 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.

In 2017, investments at fair value through OCI were classified as available-for-sale financial assets.

Maturity of fixed income debt securities:

	2018 €	2017 €
Non-current		
Between 2 and 5 years	**58,661**	50,140
Over 5 years	**80,344**	96,701
	139,005	146,841
Weighted average effective interest rate	**3.99%**	4.70%

10. Other investments - continued

Group - continued

(a) Investments at fair value through OCI - continued

The movements for the year are summarised as follows:

	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**8,694,451**	8,722,104
Additions	**631,687**	-
Net fair value gains/(losses)	**7,595,283**	(27,513)
Disposals (sales and redemptions)	**(192,201)**	(140)
At end of year	**16,729,220**	8,694,451
As at 31 December		
Cost	**8,583,007**	7,972,330
Accumulated net fair value gains	**9,998,362**	2,574,270
Provision for impairment	**(1,852,149)**	(1,852,149)
	16,729,220	8,694,451

Classified as follows:

	2018	2017
	€	€
Non-current	**16,729,220**	8,694,451

Investments at fair value through OCI 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 investments at fair value through OCI 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 investments at fair value through OCI and a net increase in fair value of €7,595,283 (2017: a net decrease of €27,513) for quoted investments at fair value through OCI.

10. Other investments - continued

Company

(b) Other investments

	2018 €	2017 €
Year ended 31 December		
At beginning of year	**22,578,435**	22,458,483
Movement during the year	**(9,313,254)**	119,952
At end of year	**13,265,181**	22,578,435
At 31 December		
Cost and net carrying amount	**13,265,181**	22,578,435

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.

	2018 €	2017 €
Fair value through profit or loss	**29,381,163**	30,845,687
Loans and receivables	**3,307,899**	2,892,589
Investment in joint ventures	**97,316**	38,476
	32,786,378	33,776,752

11. **Insurance company - Investments** - continued

(a) Investment at fair value through profit or loss

	2018	2017
	€	€
Equity securities, other variable yield securities and units in collective investment schemes	**9,933,671**	12,744,567
Debt securities – listed fixed interest rate	**17,619,600**	16,333,429
Debt securities – listed floating interest rate	**1,827,892**	1,767,691
	19,447,492	18,101,120
Total investments at fair value through profit or loss	**29,381,163**	30,845,687

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

Maturity of debt securities and treasury bills:

	2018	2017
	€	€
Within 1 year	**311,687**	1,241,621
Between 1 and 2 years	**1,807,629**	1,662,262
Between 2 and 5 years	**9,202,972**	8,146,136
Over 5 years	**8,125,204**	7,051,101
	19,447,492	18,101,120

	2018	2017
Weighted average effective interest rate	**2.73%**	3.88%

11. Insurance company - Investments - continued

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

The movements for the year are summarised as follows:

	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**30,845,687**	25,412,447
Additions	**16,983,721**	9,849,918
Disposals (sale and redemptions)	**(15,814,567)**	(5,180,713)
Net fair value gains	**(2,633,678)**	764,035
At end of year	**29,381,163**	30,845,687
As at 31 December		
Cost	**30,757,047**	28,997,625
Accumulated net fair value gains	**(1,375,884)**	1,848,062
Net carrying amount	**29,381,163**	30,845,687

(b) Loans and receivables

	2018	2017
	€	€
Year ended 31 December		
Deposits with banks or financial institutions	**3,307,899**	2,803,928
Loan to shareholder	**-**	88,661
Net carrying amount	**3,307,899**	2,892,589

Maturity of deposits with banks or financial institutions:

	2018	2017
	€	€
Between 1 and 2 years	**3,107,899**	2,053,928
Between 2 and 5 years	**200,000**	750,000

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

	2018	2017
	€	€
At fixed rates	**3,307,899**	2,803,928

At 31 December 2018, the deposits with banks or financial institutions included pledged financial assets amounting to €2,109,500 (2017: €2,109,500) (Note 19).

(c) Joint venture

	2018	2017
	€	€
Year ended 31 December		
CCGM Pension Administrators Limited	**97,316**	38,476

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 tact as a retirement scheme administrator for the purpose of the Retirement Pensions Act.

12. Inventories

	2018	2017
	€	€
Work in progress	**1,066,761**	2,307,697
Goods for resale and consumables	**12,780,124**	12,519,631
	13,846,885	14,827,328
Property held for resale	**-**	3,500,000
Total inventories	**13,846,885**	18,327,328

The movement in work in progress is analysed below:

	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**2,307,697**	1,396,629
Contract costs incurred during the year	**7,081,453**	7,790,158
Contract expenses recognised for the year	**(8,322,389)**	(6,879,090)
At end of year	**1,066,761**	2,307,697

During 2018, the Group has carried out an inventory write down of stock based on their net realisable value. This inventory write down amounted to €31,640 (2017: €28,223) and has been included in cost of sales in the income statement.

13. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Trade receivables	**13,943,607**	15,836,407	-	-
Hire purchase debtors	**14,660,365**	13,134,147	-	-
Less: Provision for impairment	**(1,137,179)**	(1,302,151)	-	-
Trade and hire purchase debtors - net	**27,466,793**	27,668,403	-	-
Amounts due from subsidiaries	-	-	**7,024,879**	5,483,736
Less: Provision for impairment	-	-	**(1,031,556)**	(1,031,556)
Amounts due from subsidiaries - net	-	-	**5,993,323**	4,452,180
Amounts due from associates	**3,508,396**	3,550,313	**2,595,371**	2,249,536
Less: Provision for impairment	**(2,295,144)**	(2,295,144)	**(1,988,634)**	(1,988,634)
Amounts due from associates - net	**1,213,252**	1,255,169	**606,737**	260,902
Advance payments	-	495,000	-	-
Amounts recoverable on contracts	-	2,037,543	-	-
Contract assets:				
Advance payments	**495,000**	-	-	-
Amounts recoverable on contracts	**3,022,061**	-	-	-
Accrued income	**457,165**	-		
Amounts due from related parties	**709,645**	-	**45,290**	48,917
Other receivables	**189,824**	110,658	**51,121**	44,003
Other taxes and social security	**23,673**	23,122	-	-
Prepayments and accrued income	**1,291,656**	1,815,433	**71,823**	83,818
	34,869,069	33,405,328	**6,768,294**	4,889,820
Disclosed as follows:				
Non-current portion				
- Hire purchase debtors	**10,662,211**	8,331,295	-	-
Current portion	**24,206,858**	25,074,033	**6,768,294**	4,889,820

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% (2017: 4.3% and 7.0%).

13. Trade and other receivables - continued

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

As at 31 December, the Group's trade receivables and HP receivables of €1,692,051 (2017: €3,123,816) were long outstanding. The ageing analysis of past due but not impaired and of impaired receivables is as follows:

	Trade receivables 2018 €	**HP receivables 2018 €**	**Total 2018 €**	Trade receivables 2017 €	HP receivables 2017 €	Total 2017 €
Within 12 months	**127,462**	**346,634**	**474,096**	166,869	272,844	439,713
Over 12 months	**767,377**	**450,578**	**1,217,955**	1,792,433	891,670	2,684,103
Total	**894,839**	**797,212**	**1,692,051**	1,959,302	1,164,514	3,123,816

	2018 €	**2018 €**	**2018 €**	2017 €	2017 €	2017 €
Classified as follows:						
Past due but not impaired	**386,250**	**369,317**	**755,567**	1,575,760	325,591	1,901,351
Impaired and provided for	**508,589**	**427,895**	**936,484**	383,542	838,923	1,222,465
Total	**894,839**	**797,212**	**1,692,051**	1,959,302	1,164,514	3,123,816

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

	2018 €	2017 €
Opening balance	**1,302,151**	1,444,950
Net movement during the year	**(164,972)**	(142,799)
Closing balance	**1,137,179**	1,302,151

14. Deferred acquisition costs

	Group	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**3,401,450**	3,072,804
Net amount credited to income statement	**363,106**	328,646
At end of year	**3,764,556**	3,401,450
Current portion	**3,764,556**	3,401,450

15. Share capital

	Group and Company	
	2018	2017
	€	€
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	
	2018	2017
	€	€
Year ended 31 December		
At beginning of year	**16,536,817**	16,037,700
Share of associate's reserve (Note 9)	**-**	499,117
Transfer of reserve realised on disposal of associate's subsidiary	**(2,906,962)**	-
At end of year	**13,629,855**	16,536,817

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:

	2018						
Group	**Investment property reserve €**	**Financial assets reserve €**	**Equity adjustment €**	**Share premium reserve €**	**Hedge reserve €**	**Capital reserve €**	**Total €**
At beginning of year	27,706,920	1,842,926	(1,288,239)	155,122	(725,000)	966,893	28,658,622
Fair value through OCI financial assets changes in fair value	-	7,595,283	-	-	-	-	7,595,283
Transfer, net of deferred tax as a result of:							
- changes in fair value	8,788,333	-	-	-	-	-	8,788,333
- of disposals	(14,218)	(171,859)	-	-	-	-	(186,077)
At end of year	**36,481,035**	**9,266,350**	**(1,288,239)**	**155,122**	**(725,000)**	**966,893**	**44,856,161**

	2017						
Group	**Investment property reserve €**	**Financial assets reserve €**	**Equity adjustment €**	**Share premium reserve €**	**Hedge reserve €**	**Capital reserve €**	**Total €**
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**

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 (2017: €1,288,239) represents the excess of the carrying amounts of investments in subsidiaries and the share capital of the subsidiaries.

Company	2018	2017
	€	€
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% (2017: 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 (2017: 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	
	2018	2017	2018	2017
	€	€	€	€
Year ended 31 December				
At beginning of year	**7,559,679**	5,969,590	**(17,112)**	(17,112)
Charge to profit or loss (Note 29)	**209,498**	1,590,089	**-**	-
At end of year	**7,769,177**	7,559,679	**(17,112)**	(17,112)
At 31 December				
Deferred tax assets	**(1,141,789)**	(563,895)	**(17,112)**	(17,112)
Deferred tax liabilities	**8,910,966**	8,123,574	**-**	-
Net deferred tax liabilities/(assets)	**7,769,177**	7,559,679	**(17,112)**	(17,112)

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

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 2017 €	(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
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**

18. Deferred tax - continued

Group

	At 1 January 2018 €	(Credited)/ charged to income statement €	At 31 December 2018 €
Deferred tax liabilities			
Fixed assets due to accelerated tax depreciation	267,917	22,879	290,796
Revaluation and investment property reserve	7,313,961	1,259,242	8,573,203
Bond issue costs	54,064	(28,207)	25,857
Unearned profit provision	21,110	-	21,110
Temporary differences on unrealised capital gains	466,522	(466,522)	-
	8,123,574	787,392	8,910,966
Deferred tax assets			
Fixed assets due to accelerated tax depreciation	(7,648)	7,648	-
Unrealised capital gains	-	(312,939)	(312,939)
Losses carried forward	(25,707)	(834)	(26,541)
Provisions	(360,281)	(262,239)	(622,520)
Unabsorbed capital allowances	(19,251)	-	(19,251)
Unrealised capital gains due to accelerated tax depreciation	(56,107)	(34,043)	(90,150)
Unearned profit provision	(94,901)	24,513	(70,388)
	(563,895)	(577,894)	(1,141,789)
Net deferred tax	**7,559,679**	**209,498**	**7,769,177**

At 31 December 2018 and 2017, the Group had the following unutilised tax credits and temporary differences:

	Unrecognised	
	2018 €	2017 €
Unutilised tax credits arising from:		
Unabsorbed capital allowances	**133,272**	87,903
Unabsorbed capital losses	**1,089,792**	1,089,792

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

	2018	2017
	€	€
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% (2017: 35%).

The balance at 31 December represents temporary differences on:

	2018	2017
	€	€
Unearned profit provision	**(2,139)**	(2,139)
Unabsorbed capital allowances	**19,251**	19,251
	17,112	17,112

As at 31 December 2018 the Company had unutilised tax credits arising from unabsorbed capital allowances amounting to €45,727 (2017: Nil) and provision amounting to €1,057,067 (2017: €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**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current				
Bank overdrafts (Note b)	**24,545,108**	24,704,226	**2,118,453**	3,701,265
Amounts owed to subsidiary	**-**	-	**1,767,315**	535,983
	24,545,108	24,704,226	**3,885,768**	4,237,248
Non-current				
Bonds (Note a)	**24,824,524**	24,743,932	**-**	-
Bank loans (Note b)	**6,000,000**	6,000,000	**6,000,000**	6,000,000
	30,824,524	30,743,932	**6,000,000**	6,000,000
Total borrowings	**55,369,632**	55,448,158	**9,885,768**	10,237,248

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:

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

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

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

(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 (2017: €2,109,500) on insurance investments.

The Group's and Company's banking facilities as at 31 December 2018 amounted to €59,017,000 and €28,819,000 (2017: €56,924,291 and €28,491,351), 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	
	2018	2017	2018	2017
	€	€	€	€
Total borrowings:				
At fixed rates	**24,824,524**	24,743,932	**1,767,315**	535,983
At floating rates	**30,545,108**	30,704,226	**8,118,453**	9,701,265
	55,369,632	55,448,158	**9,885,768**	10,237,248

19. Borrowings - continued

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

	Group		Company	
	2018	2017	**2018**	2017
Bank loans and overdrafts	**2.5 to 2.8%**	2.3 to 2.9%	**2.3 to 2.5%**	2.3 to 3.0%
Bonds	**4.9%**	4.9%	**-**	-
Amounts owed to subsidiary	**-**	-	**7.0%**	7.0%

Maturity of non-current borrowings:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Between 2 and 5 years	**26,539,524**	26,458,932	**1,715,000**	1,715,000
Over 5 years	**4,285,000**	4,285,000	**4,285,000**	4,285,000
	30,824,524	30,743,932	**6,000,000**	6,000,000

20. Technical provisions and reinsurance assets

	2018	2017
	€	€
Gross technical provisions		
Claims reported and loss adjustment expenses	**16,974,113**	14,598,753
Claims incurred but not reported	**2,077,559**	2,146,458
Unearned premiums	**21,299,640**	18,800,738
Total technical provisions – Gross	**40,351,312**	35,545,949
Reinsurers' share of technical provisions		
Claims reported and loss adjustment expenses	**2,347,588**	1,360,758
Unearned premium	**519,444**	-
Total reinsurers' share of technical provisions	**2,867,032**	1,360,758
Net technical provisions		
Claims reported and loss adjustment expenses	**14,626,525**	13,237,995
Claims incurred but not reported	**2,077,559**	2,146,458
Unearned premiums	**20,780,196**	18,800,738
	37,484,280	34,185,191
Current portion	**31,668,217**	27,964,829

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 2018, the provision for claims reported and loss adjustment expenses includes an allowance for subrogation or salvage recoveries amounting to €2,531,891 (2017: €2,264,877).

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. Percentages were updated during the year. 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 its 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:

	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	Total €
At end of reporting year	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	22,244,950	
- one year later	11,832,395	12,830,586	12,753,049	13,562,717	14,828,377	14,593,910	18,580,047	14,164,549	17,075,810		
- two years later	11,084,438	13,009,746	12,574,462	13,383,321	14,580,222	14,221,883	18,825,596	14,684,713			
- three years later	11,213,234	12,836,570	12,627,392	13,235,431	14,369,068	14,234,696	18,332,484				
- four years later	11,073,744	12,777,630	12,662,183	13,194,822	14,244,658	14,176,098					
- five years later	10,903,889	12,648,134	12,403,455	13,121,787	14,114,118						
- six years later	10,829,321	12,588,867	12,354,460	12,994,125							
- seven years later	11,014,456	12,656,101	12,365,565								
- eight years later	10,858,917	12,664,970									
- nine years later	10,615,861										
Current estimates of :											
Cumulative claims	10,615,861	12,664,970	12,365,565	12,994,125	14,114,118	14,176,098	18,332,484	14,684,713	17,075,810	22,244,950	149,268,694
Cumulative payments to date	(10,563,152)	(12,495,283)	(12,002,506)	(12,691,182)	(13,767,050)	(13,802,396)	(16,630,440)	(13,460,545)	(14,322,258)	(11,289,418)	(131,024,230)
Liability recognised in the statement of financial position	52,709	169,687	363,059	302,943	347,068	373,702	1,702,044	1,224,168	2,753,552	10,955,532	18,244,464
Liability in respect of prior years											807,205
Total liability recognised in the statement of financial position											19,051,669

20. Technical provisions and reinsurance assets - continued

Claims outstanding – Net

Estimate of the ultimate claims costs:

	2009 €	2010 €	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	Total €
At end of reporting year	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	20,039,335	
- one year later	11,832,395							14,164,549	17,075,810		
		12,830,586	12,753,049	13,280,100	14,127,162	14,221,788	17,086,976				
- two years later	11,084,438	13,009,746	12,574,462	13,108,062	13,885,349	13,796,256	17,154,951	14,684,713			
- three years later	11,213,235	12,836,570	12,627,392	12,966,166	13,675,346	13,809,068	16,902,151				
- four years later	11,073,744	12,777,630	12,662,183	12,926,133	13,550,935	13,750,470					
- five years later	10,903,889	12,648,134	12,403,455	12,853,098	13,420,395						
- six years later	10,829,321	12,588,867	12,354,460	12,725,436							
- seven years later	11,014,456	12,656,101	12,365,565								
- eight years later	10,858,917	12,664,970									
- nine years later	10,615,861										
Current estimates of :											
Cumulative claims	10,615,861	12,664,970	12,365,565	12,725,436	13,420,395	13,750,470	16,902,151	14,684,713	17,075,810	20,039,335	144,244,706
Cumulative payments to date	(10,563,152)	(12,495,283)	(12,002,506)	(12,422,493)	(13,073,327)	(13,401,975)	(15,821,922)	(13,460,545)	(14,322,258)	(10,773,189)	(128,336,650)
Liability recognised in the statement of financial position	52,709	169,687	363,059	302,943	347,068	348,495	1,080,229	1,224,168	2,753,552	9,266,146	15,908,056
Liability in respect of prior years											796,027
Total liability recognised in the statement of financial position											16,704,083

20. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses

	Year ended 31 December 2018		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	14,598,753	(1,360,758)	13,237,995
Incurred but not reported	2,146,458	-	2,146,458
Total at beginning of year	16,745,211	(1,360,758)	15,384,453
Claims settled during the year	(17,362,860)	520,177	(16,842,683)
Increase/(decrease) in liabilities			
- arising from current year claims	22,244,950	(2,205,615)	20,039,335
- arising from prior year claims	(2,575,629)	698,608	(1,877,021)
Total at the end of year	**19,051,672**	**(2,347,588)**	**16,704,084**
Notified claims still outstanding	16,974,113	(2,347,588)	14,626,525
Incurred but not reported	2,077,559	-	2,077,559
Total at the end of year	**19,051,672**	**(2,347,588)**	**16,704,084**

	Year ended 31 December 2017		
	Gross	Reinsurance	Net
	€	€	€
Notified claims still outstanding	13,213,303	(1,096,616)	12,116,687
Incurred but not reported	1,564,695	-	1,564,695
Total at beginning of year	14,777,998	(1,096,616)	13,681,382
Claims settled during the year	(15,036,284)	245,432	(14,790,852)
Increase/(decrease) in liabilities			
- arising from current year claims	18,823,566	(332,000)	18,491,566
- arising from prior year claims	(1,820,069)	(177,574)	(1,997,643)
Total at the end of year	16,745,211	(1,360,758)	15,384,453
Notified claims still outstanding	14,598,753	(1,360,758)	13,237,995
Incurred but not reported	2,146,458	-	2,146,458
Total at the end of year	16,745,211	(1,360,758)	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 €2.58 m (2017: €1.82m). After the effect of reinsurance, this amounts to €1.88m (2017: €2m).

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	Reinsurance	Net
	€	€	€
Year ended 31 December 2018			
At beginning of year	18,800,738	-	18,800,738
Net charge to the statement of comprehensive income	2,498,902	(519,444)	1,979,458
At end of year	**21,299,640**	**(519,444)**	**20,780,196**
Year ended 31 December 2017			
At beginning of year	16,578,106	-	16,578,106
Net charge to the statement of comprehensive income	2,222,632	-	2,222,632
At end of year	18,800,738	-	18,800,738

21. Trade and other payables

	Group		**Company**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Trade payables	**2,315,525**	3,249,068	-	-
Capital and other creditors	**407,345**	242,814	-	-
Payables arising out of direct insurance operations	**710,037**	323,737	-	-
Advance payments by customers on construction contracts	-	2,248,127	-	-
Contract liabilities: Advance payments by customers on construction contracts	**1,716,459**	-	-	-
Amounts due to subsidiaries	-	-	**2,646,467**	8,484,394
Amounts due to associate	**1,000,000**	-	-	-
Amounts due to related parties	**1,219,937**	1,273,401	-	-
Amounts due to ultimate parent	**446,433**	894,923	**446,433**	894,923
Directors' and shareholders' current accounts	**4,053,526**	4,054,226	**4,057,268**	4,056,688
Deposits in advance	**930,300**	239,750	-	-
Other payables	**1,184,538**	1,438,337	**162,285**	16,984
Other taxes and social security	**1,809,237**	1,823,052	**105,079**	101,687
Accruals and deferred income	**4,025,025**	3,250,747	**352,589**	764,762
Accrued contract costs	**1,020,307**	1,089,452	-	-
Interest payable on bonds	**88,798**	90,652	-	-
	20,927,467	20,218,286	**7,770,121**	14,319,438

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% (2017: 3.5%).

Amounts due to subsidiaries by the Company are unsecured, repayable on demand and bear interest at 7% (2017: 7%) except for an amount of €1,250,000 (2017: €2,900,000) which bears interest at 2.5% (2017: 3%).

22. Revenue

Revenue may be analysed as follows:

	Group	
	2018	2017
	€	€
By class of business		
Automotive and marine	**40,054,485**	36,036,171
Building services and contracting	**19,137,551**	15,399,499
Property rentals	**1,489,201**	1,405,188
Other	**304,082**	210,819
	60,985,319	53,051,677
By geographical area		
Local	**60,985,319**	53,051,677

23. Expenses by nature

(a) Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Contract costs (excluding employee benefit expense)	**7,305,193**	5,255,146	**-**	-
Maintenance divisions cost (excluding employee benefit expense)	**2,638,602**	2,149,397	**-**	-
Employee benefit expense	**9,560,505**	9,113,694	**1,261,128**	1,046,649
Cost of vehicles sold	**35,524,848**	31,760,308	**-**	-
Provision for impairment of receivables	**(45,053)**	(142,799)	**-**	-
Depreciation on property, plant and equipment (Note 6)	**892,416**	860,842	**19,695**	21,710
Other	**1,699,664**	1,777,598	**410,335**	321,965
Total cost of sales, distribution costs and administrative expenses	**57,576,175**	50,774,186	**1,691,158**	1,390,324

23. Expenses by nature - continued

(b) Net operating expenses in the technical account

	2018 €	2017 €
Acquisition costs	**8,518,771**	7,103,867
Change in deferred acquisition costs (Note 14)	**(363,106)**	(328,646)
Administrative expenses	**3,325,939**	3,220,132
	11,481,604	9,995,353

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

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Directors' remuneration	**656,254**	436,274	**656,254**	436,274
Directors' fees	**70,000**	120,000	**20,000**	70,000
	726,254	556,274	**676,254**	506,274

(d) Auditor's fees:

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

	2018 €	2017 €
Annual statutory audit	**115,673**	108,194
Tax advisory and compliance services	**22,172**	17,151
Other non-audit services	**4,835**	8,336
Other assurance services	**22,420**	22,420
	165,100	156,101

24. Employee benefit expense

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Wages and salaries	**13,659,281**	12,696,561	**1,484,170**	1,190,050
Social security costs	**925,095**	850,273	**84,550**	81,044
	14,584,376	13,546,834	**1,568,720**	1,271,094
Recharged to group undertakings	**-**	-	**(307,592)**	(224,445)
	14,584,376	13,546,834	**1,261,128**	1,046,649

24. Employee benefit expense - continued

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

	Group	
	2018	2017
Direct	**408**	407
Indirect	**73**	75
Administrative	**37**	38
	518	520

25. Income from investment property

	Group	
	2018	2017
	€	€
Profit on disposal of investment property	**778,694**	313,862
Changes in fair value of investment property (Note 7)	**10,000,000**	9,163,865
	10,778,694	9,477,727

26. Investment and other related income

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Dividend income from subsidiaries	**-**	-	**3,850,231**	3,539,161
Dividend and other income on fair value through OCI financial assets	**523,461**	214,500	**-**	-
Investment return from insurance investments (Note 31)	**733,098**	1,707,858	**-**	-
	1,256,559	1,922,358	**3,850,231**	3,539,161

27. Finance income

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Amounts owed by associates	**-**	203,250	**-**	203,250
Amounts owed by subsidiaries	**-**	-	**-**	157,548
Hire purchase	**1,094,413**	909,357	**-**	-
Other	**21,300**	27,324	**-**	-
	1,115,713	1,139,931	**-**	360,798

28. Finance costs

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Bond interest	**1,220,022**	1,223,677	**-**	-
Interest payable to subsidiaries	**-**	-	**1,536,687**	1,408,138
Bank interest and charges	**1,017,112**	785,080	**257,310**	93,177
Other interest and charges	**243,544**	224,109	**177,482**	149,880
	2,480,678	2,232,866	**1,971,479**	1,651,195

29. Tax expense

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Current tax expense	**4,294,100**	3,400,927	**657,571**	699,946
Deferred tax (Note 18)	**209,498**	1,590,089	**-**	-
Tax expense	**4,503,598**	4,991,016	**657,571**	699,946

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

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Profit before tax	**18,683,049**	20,381,323	**1,790,437**	1,934,749
Tax on profit at 35%	**6,539,067**	7,133,463	**626,653**	677,162
Expenses not deductible for tax purposes	**546,142**	263,530	**24,038**	22,784
Exempt income and income taxed at a reduced rate	**(779,807)**	(438,314)	**-**	-
Movements applicable to investment property	**(2,511,474)**	(2,399,835)	**-**	-
Maintenance allowance claimed on rented property	**(79,250)**	(145,388)	**-**	-
Under provision in prior years	**24,841**	(31,976)	**-**	-
Temporary differences on results of associates	**865,596**	165,799	**-**	-
Unrecognised deferred tax movements	**(101,517)**	446,880	**6,880**	-
Tax credits	**-**	(3,143)	**-**	-
Tax expense	**4,503,598**	4,991,016	**657,571**	699,946

30. Dividends

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Dividends paid on ordinary shares:				
Net	**2,000,000**	3,000,000	**2,000,000**	3,000,000
Dividends paid on preference shares:				
Net	**7,570**	7,570	**-**	-
	2,007,570	3,007,570	**2,000,000**	3,000,000
Dividends per ordinary share	**3.51**	5.27	**3.51**	5.27
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

	2018 €	2017 €
Investment income		
Interest receivable from financial assets that are not at fair value through profit or loss	**103,093**	111,884
Income from financial assets at fair value through profit or loss:		
- Dividend income	**279,347**	262,489
- Interest income	**542,489**	503,037
Rental income	**350,223**	321,114
Exchange differences	**18,902**	(364,684)
Net gains from financial assets at fair value through profit or loss	**(2,444,136)**	997,169
Gains on revaluation of investment property (Note 7)	**715,001**	1,213,138
Loss from investment in joint venture	**(41,160)**	(61,524)
	(476,241)	2,982,623
Investment expenses and charges		
Interest expense and charges for financial liabilities that are not at fair value through profit or loss	**185,820**	211,778
Investment expenses	**38,557**	76,034
	224,377	287,812
Total investment return	**(700,618)**	2,694,811
Analysed between:		
Allocated investment return transferred to the general business technical account	**(1,433,716)**	986,953
Investment return included in the non-technical account (Note 26)	**733,098**	1,707,858
	(700,618)	2,694,811

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

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operating profit/(loss)	**21,264,587**	20,025,613	**(88,315)**	(314,015)
Adjustments for:				
Depreciation of property, plant and equipment	**892,416**	860,842	**19,695**	21,710
Amortisation of bond issue costs	**80,592**	80,592	**-**	-
Provision for impairment of trade receivables	**(164,972)**	(142,799)	**-**	-
Movement in deferred acquisition costs	**(363,106)**	(328,646)	**-**	-
Gain on disposal of property, plant and equipment	**(26,426)**	(26,048)	**-**	-
Gain on disposal of investment property	**(778,694)**	(313,862)	**-**	-
Gain on disposal of insurance investment property	**-**	(37,868)	**-**	-
Changes in fair value of insurance investments	**2,633,678**	(764,035)	**-**	-
Changes in fair value of investment property	**(10,000,000)**	(9,163,865)	**-**	-
Changes in fair value of insurance investment property	**(715,001)**	(1,213,138)	**-**	-
Changes in working capital:				
Inventories	**1,005,533**	(960,714)	**-**	-
Trade and other receivables	**(1,560,526)**	2,393,049	**(1,878,474)**	6,389,101
Trade and other payables	**709,181**	(2,794,075)	**(6,549,317)**	(9,986,750)
Technical provisions (net)	**3,299,089**	3,925,704	**-**	-
Cash generated from/(used in) operations	**16,276,351**	11,540,750	**(8,496,411)**	(3,889,954)

33. Cash and cash equivalents

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash at bank and in hand	**11,327,135**	6,212,265	**1,581**	2,305
Bank overdrafts (Note 19)	**(24,545,108)**	(24,704,226)	**(2,118,453)**	(3,701,265)
Cash and cash equivalents	**(13,217,973)**	(18,491,961)	**(2,116,872)**	(3,698,960)

Cash at bank and in hand include amounts held with investment managers amounting to €1,353,802 (2017: €4,419,864).

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	
	2018	2017
	€	€
No later than 1 year	**1,024,731**	1,182,690
Later than 1 year and no later than 5 years	**306,327**	611,998
Later than 5 years	**-**	16,701
	1,331,058	1,811,389

As at 31 December 2018, the Group had authorised but not yet contracted capital commitments amounting to €31,299,665 (2017: €30,659,042).

Company

Operating lease commitments – where the Company is the lessee

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

	2018	2017
	€	€
No later than 1 year	**50,000**	55,250

35. Contingencies

(a) At 31 December 2018 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 banks and third parties amounting to €13,134,134 and GBP350,000 (2017: €14,527,926 and GBP350,000).

(b) The Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €284,822 (2017: €284,822) relating to year of assessment 1977 to 1995 inclusive in respect of which no provision has been made in these financial statements.

(c) The Company has issued guarantees in respect of subsidiaries' and related parties' banking facilities, and in favour of third parties, amounting to €11,423,064 (2017: €12,789,073).

(d) 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 (2017: €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.

(e) As at the year-end, the Group had pending claims not exceeding €152,000 (2017: €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.

(f) 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	
		2018	2017	**2018**	2017
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		Gasan Group Limited % effective holding	
		2018	2017	**2018**	2017
Mekanika Limited Gasan Centre Mriehel By-Pass Mriehel Malta	Engineering contracting services	**0.70**	0.70	**100.00**	100.00
GasanZammit Motors Limited Gasan Centre Mriehel By-Pass Mriehel Malta	Motor vehicle dealership	**-**	-	**52.50**	52.50
GasanZammit International Limited Gasan 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:

	2018	2017
	€	€
Income		
Sales	**217,814**	142,339

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:

	2018	2017
	€	€
Key management compensation		
Salaries and other emoluments	**1,514,000**	1,227,000

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:

	2018	2017
	€	€
Revenue		
Management fee income	**1,593,378**	1,075,620
Finance income	**-**	360,798
Dividends receivable	**3,850,231**	3,539,160
Expenses		
Rent payable	**50,000**	50,250
Finance costs	**1,536,687**	1,070,367

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

Gasan 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.