

**ORION FINANCE P.L.C.**

*Annual Report  
and  
Financial Statements  
31 December 2017*

Company Registration Number C 80722

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The directors present the annual report together with the audited financial statements of the Company for the period ended 31 December 2017.

### **Principal Activities**

The Company's principal activity is to carry on the business of a finance company, principally by advancing capital raised to its parent company, when and as required.

### **Performance Review**

The Company was incorporated on 3 May 2017. Consequently, these financial statements have been prepared for the 8 month period, from date of incorporation to 31 December 2017.

During such period, the Company generated finance income amounting to €183,750 from loan advanced to parent company whilst accrued interest on bonds amounted to €126,666. The Company's profit before taxation amounted to €35,872. After accounting for taxation, the profit for the period amounted to €21,882.

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

### **Position Review**

The Company's asset base amounted to €5,183,323 as at 31 December 2017.

Non-current assets relate to loan receivable from parent company amounting to €4,900,000.

The Company's main liabilities are made up of €5,000,000 4.75% Unsecured Bonds 2027.

### **Dividends and Reserves**

The retained earnings of the Company at the end of the period amounted to €21,882. The directors do not recommend the distribution of a dividend and propose to transfer the profit for the period to reserves.

### **Financial Risk Management**

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

### **Events Subsequent to the Statement of Financial Position Date**

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

### **Future Developments**

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

### **Directors**

Mr. Anthony Camilleri (Executive and Chairman)  
Mr. John Soler (Non-Executive)  
Dr. Michael Borg Costanzi (Non-Executive)

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**Directors (continued)**

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

**Statement of Directors' Responsibilities**

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable the directors to ensure that the financial statements have been properly prepared in accordance with the Maltese Companies Act, (Cap 386). The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Orion Finance p.l.c. for the period ended 31 December 2017 are included in the Annual Report 2017, which is published in hard-copy printed form and will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

**Auditors**

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

**Additional disclosures**

**Going Concern**

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

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**Additional disclosures (continued)**

**Principal risks and uncertainties associated with the Company**

The Company's main objective is that of a finance company. Given that the Company does not carry out any trading activities, it is economically dependent on the business prospects of Orion Retail Investments Limited ('the parent'). As a matter of fact, the Company is dependent on the receipt of income from its parent in relation to Bond proceeds which it has advanced in the form of a loan. The parent, which holds property management rights, rents out properties to companies within the Camilleri Group, from which it receives income streams which enable it to repay the loan due to the Company. Taking into consideration the latter, the parent and the Company ('together referred to as Orion Group') is materially dependant on the ability of Camilleri Group honouring the respective lease contracts. Following this, any material changes in the business strategy and performance of the companies within the Camilleri Group would directly effect the performance and position of Orion Group.

In this respect, the parent, intends to continue to manage the properties in order to ensure optimal utilisation thereof and achieve positive and sustainable financial results. The directors monitor closely the impact of events and the ability of the parent to honour its financial commitments. To this regard, the directors are of the view that the amount receivable from the parent by the Company is recoverable.

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

**Share Capital Structure**

The Company's authorised and issued share capital is €50,000 divided into 50,000 Ordinary Shares of €1 each.

The share capital consists of 49,999 Ordinary 'A' Shares and 1 Ordinary Share 'B'. Ordinary 'A' grant one voting right for every share held and are participating shares entitled to receive dividend distribution. Ordinary 'B' shares have no voting rights except for the purpose of participating in the appointment or election of directors. Ordinary 'B' shares are not entitled to receive any dividend distributions.

**Holdings in excess of 5% of Share Capital**

On the basis of information available to the Company, as at 31 December 2017, Orion Retail Investments Limited held 49,999 shares in the Company which is equivalent to 99.999% of its total issued share capital.

There are no arrangements in place as at 31 December 2017, the operation of which may at a subsequent date result in a change in control of the Company.

**Appointment and removal of directors**

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

The directors shall hold office for a period of one year and are eligible for re-election. An election of the directors shall take place every year at the Annual General Meeting of the Company.

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**Additional disclosures (continued)**

**Powers of the Directors**

The management and administration of the Company is vested in the Board of Directors. The powers of Board members are contained in Articles 65, 66, 67 and 68 of the Company's Articles of Association. There are no provisions in the Company's Memorandum and Articles of Association regulating the retirement or non-retirement of directors over an age limit.

**Directors' Interests**

As at 31 December 2017, non-Executive directors have no beneficial interest in the share capital of the Company. Executive Director has an indirect beneficial interest in the share capital of the Company through his shares in Camilleri Holdings Limited.

**Contracts with Board Members and Employees**

The Company does not have service contracts with any of its Board Members. All directors may be removed from their posts of director by ordinary resolution of the shareholders in a general meeting.

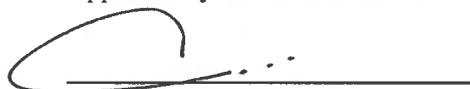
**Material Contracts**

The Company entered into a loan agreement with its parent Orion Retail Investments Limited for the transfer of funds received from the Bond issue. Details of such contract is set out in Note 10 to the financial statements.

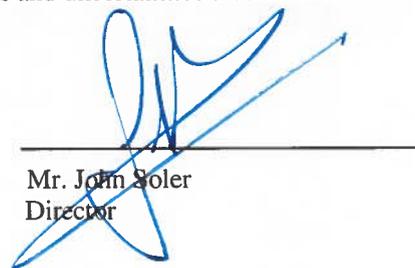
**Statement by the Directors on the Financial Statements and Other Information included in the Annual Report**

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

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



Mr. Anthony Camilleri  
Director



Mr. John Soler  
Director

**Registered Address:**

14,  
Manuel Borg Gauci Street,  
Qormi QRM4000

27 March 2018

**INDEPENDENT AUDITOR'S REPORT**  
To the Shareholders of Orion Finance p.l.c.

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**Report on the Audit of the Financial Statements**

We have audited the financial statements of Orion Finance p.l.c. (the Company), set out on pages 9 to 25, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company, as at 31 December 2017 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

*Recoverability of group balances*

Loan receivable relates to loan advanced to parent company at an agreed rate of interest of 7.5% per annum. This loan amounted to €4,900,000 as at 31 December 2017, and as such is considered to be material.

*How the scope of our audit responded to the risk*

We have reviewed the loan agreement and agreed the terms to the loan balance included in these financial statements. We reviewed that repayments are being made in line with the agreement.

## **Key Audit Matters (continued)**

### *Findings*

We concur with management's view with respect to the recoverability of such loan.

### **Other Information**

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

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386). Based on the work we have performed, in our opinion:

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

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

### **Responsibilities of the Directors**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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

*John Abela (Partner) for and on behalf of*

**Horwath Malta**  
*Member of Crowe Horwath International*

La Provvida  
Karm Zerafa Street  
Birkirkara BKR1713  
Malta

27 March 2018

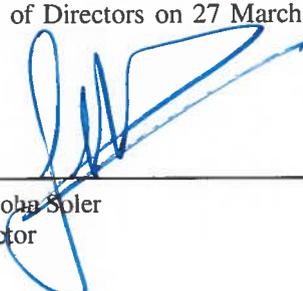
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	Notes	8 months to 31 Dec 2017 €
Finance income	6	183,750
Finance costs	7	<u>(130,766)</u>
<b>Net interest income</b>		<b>52,984</b>
Administrative expenses		<u>(17,112)</u>
<b>Profit before Income Tax</b>	8	<b>35,872</b>
Income taxation	9	<u>(13,990)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>21,882</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>21,882</u></b>
Earnings per share (cents)	18	<u>4.4 c</u>

	Notes	2017 €
<b>ASSET</b>		
<b>Non-Current Assets</b>		
Loan receivable	10	<u>4,900,000</u>
<b>Current Assets</b>		
Trade and other receivables	11	<u>10,448</u>
Cash and cash equivalents		<u>272,875</u>
		<u>283,323</u>
<b>Total Assets</b>		<u><u>5,183,323</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Called up issued share capital	12	<u>50,000</u>
Retained earnings	13	<u>21,882</u>
		<u>71,882</u>
<b>Non-Current Liabilities</b>		
Borrowings	14	<u>4,922,109</u>
<b>Current Liabilities</b>		
Trade and other payables	15	<u>175,342</u>
Current tax liability		<u>13,990</u>
		<u>189,332</u>
<b>Total Equity and Liabilities</b>		<u><u>5,183,323</u></u>

The financial statements on pages 9 to 25 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf by:

  
\_\_\_\_\_  
Mr. Anthony Camilleri  
Director

  
\_\_\_\_\_  
Mr. John Soler  
Director

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	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	€	€	€
Issue of share capital	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Profit for the period	<u>-</u>	<u>21,882</u>	<u>21,882</u>
Total comprehensive income for the period	<u>-</u>	<u>21,882</u>	<u>21,882</u>
<b>Balance at 31 December 2017</b>	<b><u>50,000</u></b>	<b><u>21,882</u></b>	<b><u>71,882</u></b>

	Note	2017 €
<b>Operating Activities</b>		
Profit for the period before taxation		35,872
<i>Adjustment for:</i>		
Amortisation of bond issue costs		4,100
Finance income		(183,750)
Finance costs		<u>126,666</u>
		(17,112)
<i>Working capital changes:</i>		
Movement in trade and other receivables		(10,448)
Movement in trade and other payables		<u>4,921,491</u>
Cash generated from operations		4,893,931
Interest received		<u>183,750</u>
<b>Net Cash generated from Operating Activities</b>		<u>5,077,681</u>
<b>Investing Activities</b>		
Issue of share capital		<u>50,000</u>
<b>Net Cash generated from Investing Activities</b>		<u>50,000</u>
<b>Financing Activities</b>		
Net advances from ultimate parent company		13,041
Net advances from parent company		32,153
Loan advanced to parent company		<u>(4,900,000)</u>
<b>Net Cash used in Financing Activities</b>		<u>(4,854,806)</u>
<b>Movement in Cash and Cash Equivalents</b>		272,875
Cash and cash equivalents at beginning of period		<u>-</u>
<b>Cash and Cash Equivalents at End of Period</b>	16	<u><u>272,875</u></u>

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## 1. General Information

Orion Finance p.l.c. (the "Company") is a limited liability company domiciled and incorporated in Malta.

## 2. Basis of Preparation

### *Statement of compliance*

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

### *Reporting period*

The Company was incorporated on 3 May 2017. Consequently, these financial statements have been prepared for the 8 month period, from date of incorporation to 31 December 2017.

### *Basis of measurement*

The financial statements are prepared on the historical cost basis.

### *Going concern*

The Company's principal activity is to act as a finance company. The Company in itself does not have substantial assets and is a special purpose vehicle set up to raise finance for the business of Orion Group. The parent company, Orion Retail Investments Limited was set up as a property management company, which is expected to receive annual streams of income from the long-term lease agreements entered into with companies in the Camilleri Group. Based on such reasons, Orion Group's business prospects are highly dependent on the ability of the companies within the Camilleri Group to meet their obligations in a timely manner.

In preparing these financial statements, the directors of the Company made reference to the anticipated revenue streams which are expected to be generated over the years from lease agreements entered into on an arm's length basis with the companies in the Camilleri Group and Orion Retail Investments Limited, which act as a guarantor to the Company.

Given the financial stability of the Camilleri Group of Companies, the directors believe that it remains appropriate to prepare these financial statements on a going concern basis.

### *Functional and presentation currency*

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

## 2. Basis of Preparation (continued)

### *Use of estimates and judgements*

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

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

## 3. Changes in Accounting Policies and Disclosures

There were no new standards, amendments and interpretations to existing standards that have been published and are mandatory for the accounting periods beginning 1 January 2017 or later periods, that have an effect on the Company's financial statements.

### New standards, amendments to the standards and interpretations which have not been early adopted:

*IFRS 9 "Financial Instruments" (issued in July 2014 and effective date is 1 January 2018).*

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

### 3. Changes in Accounting Policies and Disclosures (continued)

New standards, amendments to the standards and interpretations which have not been early adopted (continued):

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the new standard on its financial statements.

### 4. Significant Accounting Policies

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

#### *Finance income and finance costs*

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

#### *Income taxation*

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

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

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

#### 4. Significant Accounting Policies (continued)

##### *Income taxation (continued)*

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

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

##### *Earnings per share*

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

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables comprise amounts due from parent company.

##### *Impairment of financial assets*

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

Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### 4. Significant Accounting Policies (continued)

##### *Impairment of financial assets (continued)*

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 receivable's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

##### *Cash and cash equivalents*

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

##### *Share capital*

###### *Ordinary shares*

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

###### *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

##### *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, billed to the Company.

#### 4. Significant Accounting Policies (continued)

##### *Financial liabilities*

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the 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 Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

##### *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### *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.

#### 5. Critical Accounting Estimates and Judgements

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

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

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**6. Finance Income**

8 months to  
31 Dec 2017  
€

Interest receivable on loan due from parent company

183,750

**7. Finance Costs**

8 months to  
31 Dec 2017  
€

Interest payable on bonds

126,666

Amortisation of bonds issue costs

4,100

130,766

**8. Profit before Income Tax**

This is stated after charging the following:

8 months to  
31 Dec 2017  
€

Audit fee

2,500

**9. Income Taxation**

8 months to  
31 Dec 2017  
€

Current tax expense

13,990

## 9. Income Taxation (continued)

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

	8 months to 31 Dec 2017 €
Profit before taxation	<u>35,872</u>
Tax at the applicable statutory rate of 35%	12,555
<i>Tax effect of:</i>	
Disallowable expenses	<u>1,435</u>
Tax charge	<u>13,990</u>

## 10. Loan Receivable

	2017 €
Loan receivable from parent company	<u>4,900,000</u>

Loan receivable relates to the transfer of funds to parent company, generated by the Company from the issue of bonds.

Loan receivable from parent company is unsecured, carries interest at 7.5% per annum and is repayable in full by not later than 18 June 2027.

At 31 December 2017, this financial asset was fully performing and hence does not contain impaired assets.

Maturity of loans and receivables:

	2017 €
Within 2 and 5 years	850,000
Over 5 years	<u>4,050,000</u>
	<u>4,900,000</u>

## 11. Trade and Other Receivables

	2017 €
Prepaid expenses	<u>10,448</u>

## 12. Share Capital

	2017 €
<b>Authorised, Issued and Fully Paid Up</b>	
49,999 Ordinary 'A' shares of €1 each	49,999
1 Ordinary 'B' share of €1 each	<u>1</u>
	<u>50,000</u>

## 13. Retained Earnings

This represents accumulated profits. During the period under review, no dividends were paid out of retained earnings.

## 14. Borrowings

	2017 €
<b>Non-current</b>	
50,000 4.75% Unsecured Bonds 2027	<u>4,922,109</u>
Bonds outstanding (face value)	<u>5,000,000</u>
Gross amount of bond issue costs	(81,991)
<b>Amortisation of gross amount of bond issue costs:</b>	
Amortisation charge for the year	<u>4,100</u>
Unamortised bond issue costs	<u>(77,891)</u>
Amortised cost and closing carrying amount	<u>4,922,109</u>

Interest on the 4.75% Unsecured Bonds 2027 is payable annually in arrears, on 18 June of each year.

The bonds constitute the general, direct, unconditional and unsecured obligation of the Company, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other outstanding and unsecured debt of the Company and the Guarantor, present and future. In addition, the Bonds would rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.

## 15. Trade and Other Payables

	2017 €
Trade payables	980
Accrued expenses	129,168
Amounts due to ultimate parent company	13,041
Amounts due to parent company	<u>32,153</u>
	<u><u>175,342</u></u>

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

## 16. Cash and Cash Equivalents

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

	2017 €
Cash at bank and in hand	<u><u>272,875</u></u>

## 17. Related Party Transactions

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

The Company forms part of the Camilleri Group of Companies. All companies forming part of the Camilleri Group are related parties since these companies are ultimately owned by Camilleri Holdings Limited which is considered by the directors to be the ultimate controlling party.

Trading transactions between these companies include items which are normally encountered in a group context. The Group is ultimately owned by members of the Camilleri family, who are therefore considered to be related parties. The main related party with whom the transactions are entered is Orion Retail Investment Limited, the guarantor of the borrowings (Note 14).

The Company is a subsidiary of Orion Retail Investments Limited who is the parent company. The registered address of the parent company is 14, Manuel Borg Gauci Street, Qormi.

Camilleri Holdings Limited is the ultimate parent of the Company. Camilleri Holdings Limited produces consolidated financial statements that are available for public use, and which incorporate the individual financial statements of the Company. The registered address of Camilleri Holdings Limited is 63, St. Dominic Street, Valletta, VLT 1602, Malta.

## 17. Related Party Transactions (continued)

### Transactions with related parties

	2017 €
<b>Income</b>	
Finance income from parent company	<u>183,750</u>
<b>Expenditure</b>	
Recharges by parent company	<u>(43,028)</u>
<b>Loans and Advances</b>	
Loans advanced to parent company	(4,910,875)
Loans advanced by ultimate parent company	<u>(13,042)</u>

Loans advanced to parent company are unsecured, carry interest at 7.5% per annum and are repayable in full by not later than 18 June 2027, except for an amount of €10,875 which is interest free and has no fixed date for repayment.

Amounts due to ultimate parent company are unsecured, interest free and have no fixed date for repayment.

Year end balances arising from related party transactions are disclosed in Notes 10 and 15 to the financial statements.

## 18. Earnings per Share

Earnings per share is based on the profit after taxation attributable to the ordinary shareholders of the company divided by the weighted average number of ordinary shares in issue during the year.

	2017 €
Net profit attributable to owners of the company	<u>21,882</u>
Weighted average number of ordinary shares in issue (Note 12)	<u>50,000</u>
Earnings per share (cents)	<u>4.4 c</u>

## 19. Financial Risk Management

At the period end, the Company's main financial assets comprised loan receivable from parent company and cash held at bank. At the period end the Company's main financial liabilities consisted of borrowings and trade and other payables.

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## 19. Financial Risk Management (continued)

The Company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from, and guaranteed by, Orion Retail Investments Limited (parent company).

The Company's principal risk exposures relate to credit risk and liquidity risk. The Company is not exposed to currency risk and the directors consider interest rate risk exposure to be minimal due to matching of interest costs on borrowings with finance income from its loans and receivables.

### *Timing of Cash Flows*

The presentation of the above mentioned financial assets and liabilities listed above under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

### *Credit Risk*

Financial assets which potentially subject the Company to concentrations of credit risk consist principally of loan receivable from parent company and cash at bank (Notes 10 and 16). The carrying amount of financial assets represents the maximum credit exposure.

The Company's cash at bank is placed with high quality financial institutions. The Company's receivables consist mainly of loan receivable from parent and accordingly credit risk in this respect is limited.

### *Liquidity Risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 14 and 15). The Company is exposed to liquidity risk arising from its ability to satisfy liability commitments depending on cash inflow receivable in turn from Orion Retail Investments Limited.

Management monitors liquidity risk by means of cash flows forecasts on the basis of expected cash flows over a twelve-month period to ensure that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the parent company where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates in the respective notes to the financial statements.

### *Capital Management*

The Company's bonds are guaranteed by Orion Retail Investments Limited (parent company). Related finance costs are also guaranteed by the parent company. The capital management of the Company therefore consists of a process of regularly monitoring the financial positions of the guarantor.

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**19. Financial Risk Management (continued)**

*Fair Values of Financial Instruments*

At 31 December 2017, the carrying amounts of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Company for similar financial instruments.

As at end of the reporting period, the fair values of financial assets and liabilities, approximated the carrying amounts shown in the statement of financial position.

**ORION FINANCE P.L.C.**  
Schedule to the Financial Statements  
For the period ended 31 December 2017

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**SCHEDULE**

1. Administrative Expenses

**ORION FINANCE P.L.C.**  
Administration Expenses  
For the period ended 31 December 2017

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**Schedule 1**

	<b>2017</b>
	<b>€</b>
Audit fee	<b>2,500</b>
Professional fees	<b><u>14,612</u></b>
	<b><u><u>17,112</u></u></b>