

DIZZ FINANCE P.L.C.

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

DIZZ FINANCE P.L.C.

Company Information

Directors : Ms Diane Izzo
Mr Karl Izzo
Dr Laragh Cassar (Resigned on 1 October 2018)
Mr Francis Gouder
Mr Edwin Pisani
Mr Nigel Scerri (Resigned on 31 December 2018)
Mr Joseph C Schembri
Dr Ian Vella Galea (Appointed on 1 October 2018)
Mr Simon John Calleja (appointed on 31 December 2018/
resigned on 29 April 2019)

Secretary : Dr Sam Abela

Company number : C 71189

Registered office : Dizz Buildings
Carob Street
Santa Venera

Auditors : KSi Malta
6, Villa Gauci
Mdina Road
Balzan BZN 9031

Banker : Bank of Valletta plc
Constitution Street
Mosta

DIZZ FINANCE P.L.C.

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DIZZ FINANCE P.L.C.

Report of the Directors

For the year ended 31 December 2018

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

Incorporation

The Company was incorporated on 24 June 2015.

Principal Activity

The principal activity of the Company is to act as a finance, investment and property-holding company for lease to third parties and related companies. The activities of the Company are expected to remain consistent for the foreseeable future.

Principal Risks and Uncertainties

The Company is mainly dependant on the business prospects of the Dizz Group of Companies (the "Group"), and consequently, the operating results of the Group have a direct effect on the Company's financial position and performance, including the ability of the Company to service its payment obligations under the issued bonds.

The Company's main assets consist of loans receivable issued to related companies forming part of the Group. Therefore, the ability of these companies to effect payments to the Company under such loans will depend on their respective cash flows and earnings which may be restricted by:

- changes in applicable laws and regulations;
- the terms contained in the agreements to which they are or may become party, including the indenture governing their existing indebtedness, if any; or
- other factors beyond the control of the Company.

Additionally, the Company is directly exposed to the risks associated with the local property market. The property market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, or the exercise by tenants of their contractual rights.

Review of Business

Revenue in 2018 was primarily attributable to rental income amounting to €227,400 (2017 – €224,998). This is expected to increase steadily over the next financial period.

During the year under review the Company registered a profit before taxation of €341,349 (2017 – €155,534.) In the year 2018 the Company disposed of Investment Property to another company that forms part of the Dizz Group of Companies. Immovable property valuations in the year under review remained constant and no increase in the value of the investment property was recognised in the profit or loss account.

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2018

Dividends and Reserves

The Directors do not recommend the payment of a dividend and propose to transfer the profit for the year to retained earnings.

Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company'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. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Market Risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Company has fixed and variable interest-bearing liabilities. Fixed interest-bearing liabilities consists of 5% Bonds issued to the general public whilst exposure to variable interest-bearing liabilities consists of bank overdraft facilities.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(c) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that services are made to customers with an appropriate credit history.

Post Balance Sheet Events

The Directors evaluated subsequent events from 1 January 2019 through 29 April 2019, the date the financial statements are approved. The directors concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

Directors

The following have served as Directors of the Company during the year under review:

| | |
|-----------------------|---|
| Ms Diane Izzo | |
| Mr Karl Izzo | |
| Dr Laragh Cassar | (Resigned on 1 October 2018) |
| Mr Francis Gouder | |
| Mr Edwin Pisani | |
| Mr Nigel Scerri | (Resigned on 31 December 2018) |
| Mr Joseph C Schembri | |
| Dr Ian Vella Galea | (Appointed on 1 October 2018) |
| Mr Simon John Calleja | (appointed on 31 December 2018 /resigned on 29 April 2019) |

In accordance with the Company's Articles of Association the present Directors remain in office.

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2018

Directors' Interest

The Directors' beneficial interest in the shares of the Company at 31 December 2018 is limited to 1 ordinary share having a nominal value of €1 each held by Ms Diane Izzo.

Statement of Directors' responsibilities pursuant to Listing Rule 5.68

The Companies Act, 1995 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the Directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

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 them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, through oversight of management are responsible to ensure that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Going concern statement pursuant to Listing Rule 5.62

After making enquiries and having taken into consideration the future plans of the Company, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopted the going concern basis in the preparation of the financial statements.

Financial Reporting Framework

The Directors have resolved to prepare the Company's financial statements for the year 1 January 2018 to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU.

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2018

Auditors

KSi Malta have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Mr Joseph C Schembri
Director



Ms Diane Izzo
Director

29 April 2019

DIZZ FINANCE P.L.C.

Corporate Governance - Statement of Compliance

For the year ended 31 December 2018

The Listing Rules issued by the Listing Authority require companies whose securities are listed on a regulated market to observe The Code of Principles of Good Corporate Governance (the "**Code**"). Although the adoption of the Code is not obligatory, listed companies are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the listed company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

In view of the fact that Dizz Finance P.L.C.'s (the "**Company**") debt (and not equity) securities are listed and traded on a regulated market or on a multilateral trading facility, it is exempt from disclosing the information prescribed in Listing Rules 5.97.1, 5.97.2, 5.97.3, 5.97.6 and 5.97.7 in this corporate governance statement. It is in the light of these factors that the Directors are herein reporting on the corporate governance of the Company.

Part 1: Compliance with the Code

The Board of Directors (the "**Board**") of Company believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle 1: The Board

The Board of Directors is responsible for devising a strategy and setting policies of the Company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the prospectus and all relevant rules and regulations.

The Board is composed of Ms. Diane Izzo (Executive Director and Chairperson), Mr. Karl Izzo (Executive Director), Mr. Edwin Pisani (Executive Director), Mr. Francis Gouder (Non-Executive Director), Mr. Joseph C Schembri (Non-Executive Director), Mr. Simon John Calleja (Executive Director) and Dr. Ian Vella Galea (Non-Executive Director). All of the directors were nominated and appointed by the shareholders in general meeting.

The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 5 hereunder.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2018

Part 1: Compliance with the Code (continued)

Principle 1: The Board (continued)

The Directors and Restricted Persons (as defined in the Listing Rules) are informed of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Each such Director and Senior Officer (as defined in the Listing Rules) has been provided with the Code of Dealing required in terms of Listing Rule 5.106 and training in respect of their obligations arising thereunder.

Principle 2: Chairperson and Chief Executive Officer

The functions of the Chairperson and Chief Executive Officer are vested in the same individual. The Chairperson's main function is to lead the Board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

The Board is composed of 4 executive and 3 non-executive directors. The non-executive directors, that is, Mr. Joseph C Schembri, Mr. Francis Gouder and Dr. Ian Vella Galea are considered to be independent within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

Directors are appointed during the Company's Annual General Meeting for period of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management.

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. An audit committee has been set up with clear terms of reference in line with the Listing Rules.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2018

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

| <i>Members</i> | <i>Meetings attended out of total held during tenure</i> |
|----------------------|--|
| Ms Diane Izzo | 6 out of 6 |
| Mr Karl Izzo | 6 out of 6 |
| Mr Edwin Pisani | 6 out of 6 |
| Mr Nigel Scerri | 6 out of 6 |
| Mr Francis Gouder | 6 out of 6 |
| Mr Joseph C Schembri | 6 out of 6 |
| Dr Laragh Cassar | 4 out of 4 |
| Dr Ian Vella Galea | 2 out of 2 |

The Board also delegates specific responsibilities to the management team of the Company.

Board Committees

Audit Committee

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Listing Rules and under applicable law. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to, *inter alia*, monitor and scrutinise, and, if required, approve Related Party Transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed Related Party Transactions.

The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Company's external auditors.

During the year under review, the Audit Committee was composed of Mr Joseph C. Schembri (independent non-executive director and Chairman of the Audit Committee), Mr Francis Gouder (independent non-executive director), and Dr. Ian Vella Galea (independent non-executive director).

The Board considers the Chairman of the Audit Committee to be independent and competent in accounting and/or auditing. Such determination was based on Mr Joseph Schembri's substantial experience in various audit, accounting and risk management roles throughout his career.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2018

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings (continued)

Board Committees (continued)

Senior Management

In view of the Company being primarily a finance and investment company, the Company does not have any employees. However, the overall management of the Group comprises: Diane Izzo, as Group CEO, together with Karl Izzo, are at the helm of the reporting structure having senior management comprising of Simon John Calleja and Edwin Pisani.

Principle 6: Information and Professional Development

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary and to legal counsel. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors.

Principle 7: Evaluation of the Board's Performance

With respect to the period under review, the Company has not carried out a performance review of the Board. However, the Board expects to carry out the said review within the current financial year through the submission and evaluation of a questionnaire completed by the directors.

Principle 8: Committees

The directors are paid on the basis of a fixed remuneration, the aggregate of which is approved in general meeting by the shareholders. In view of there being no executive positions within the Company, the Board has not fixed a remuneration policy for senior executives. Furthermore, the Board has not set up a remuneration and nomination committee due to limited size and exigencies of the operations of the Company.

Principle 9: Relations with Shareholders and with the Market and Principle 10: Institutional Shareholders

The Company has communicated effectively with the market through company announcements and financial information published by the Company.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2018

Part 1: Compliance with the Code (continued)

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

The Dizz group of companies understands the importance of contributing to society at large, both in terms of the wellbeing of its staff as well as the contribution towards society at large. This contribution has manifested itself in a number of initiatives of the Group, including the organisation of events aimed at increasing the awareness of mental health and other noteworthy charities. Further activities of this nature are being organised in 2019.

Part 2: Non-Compliance with the Code

Principle 2: Chairman and Chief Executive

The roles of Chairman and Chief Executive Officer of the Group are both occupied by Ms Diane Izzo. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the Directors believe that Ms Diane Izzo should occupy both positions, particularly in view of the experience she brings to both the Board and executive management team of the Company. In terms of Principle 3.1, which calls for the appointment of a senior independent Director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the Board has appointed Mr Joseph Schembri as the indicated senior independent Director.

Principle 4: Responsibilities of the Board

The Board has not yet developed a succession policy for the future composition of the Board of Directors, this in view of the limited scope of business of the Company.

Principle 7: Evaluation of the Board's Performance

At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated.

Principle 8: Committees

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed as necessary in view of the very limited number of directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

DIZZ FINANCE P.L.C.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2018

Part 2: Non-Compliance with the Code (continued)

Internal Controls

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Group, including the Company is delegated to the Group Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the Directors on a regular basis.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the Directors. The aggregate amount approved for this purpose during the last Annual General Meeting was Euro 20,000.

No part of the remuneration paid to the Directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the Directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Dizz Finance P.L.C.

Signed on behalf of the Board of Directors on 29 April 2019 by:



Mr Joseph C Schembri
Director and Chairman of Audit Committee

DIZZ FINANCE P.L.C

Independent Auditors' Report

To the shareholders of Dizz Finance P.L.C.

Report on the Audit of the Financial Statements

We have audited the financial statements of Dizz Finance P.L.C. (the Company), set out on pages 16 to 46, which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the 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 Auditors' 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 the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment Property

As at 31 December 2018 the Company held Investment Property of Euro 2,917,969. As described in the Accounting Policies in note 3 to the financial statements, investment property is carried at fair value. As a result, the Directors obtain valuations of the property on a systematic basis so that the accounts show the fair value of the property as per valuations carried out by a reputable firm of architects on an open market value basis.

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Key Audit Matters (continued)

Investment Property (continued)

The results of our testing were satisfactorily and we concur that the Investment Property valuation is appropriate.

Amounts due from related companies

As at 31 December 2018 the Company held Euro 9,083,560 as receivables from related companies. Part of the proceeds of the public bond issue made in 2016 by Dizz Finance P.L.C. was used to forward loans to related companies for their business operations.

During the audit process we ascertained ourselves that the related company's audited financial statements disclose such amounts due to Dizz Finance P.L.C. The results of our testing were satisfactorily and we concur that the amounts due from related companies are disclosed in the audited accounts of each individual company.

Amounts due from Dal Cafe Limited

As at 31 December 2018 the Company was owed Euro 88,000 from Dal Cafe Limited. Dal Cafe Limited was a subsidiary of the Group until 1 September 2017, being the date the company was disposed off through the sale of the shareholding owned by DK Pascucci Limited. The loan granted by Dizz Finance P.L.C. was used by Dal Cafe Ltd for its business operations.

During the audit process we ascertained ourselves that the necessary loan agreements were revised accordingly in order to ensure the recoverability of the original loan granted. The results of our testing were satisfactorily except for the fact that the audited accounts of Dal Cafe Ltd have not yet been prepared.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, the Statement of Directors' Responsibilities and the Corporate Governance Statement of Compliance. Our opinion on the financial statements does not cover this information. 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.

Report on Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Report on Corporate Governance (continued)

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual return.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 10 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

With respect to the Report of the Directors, we also considered whether the Report of the Directors 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors 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 Report of the Directors. 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.

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Auditors' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 Auditors' 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.

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act, 1995 enacted in Malta to report to you if, in our opinion:

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- 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.



Joseph Gauci (Partner) for and on behalf of
KSi Malta
Certified Public Accountants

Balzan
Malta

29 April 2019

DIZZ FINANCE P.L.C.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

| | Notes | 2018 € | 2017 € |
|---|-------|-----------|------------|
| Revenue | 5 | 227,400 | 224,998 |
| Administrative expenses | | (143,144) | (146,227) |
| | | <hr/> | <hr/> |
| Operating profit | | 84,256 | 78,771 |
| Gains on revaluation of Investment Property | 7 | - | - |
| Other income | 8 | 24,408 | - |
| Finance income | 9 | 661,560 | 503,933 |
| Finance costs | 10 | (428,875) | (427,170) |
| | | <hr/> | <hr/> |
| Profit before tax | 6 | 341,349 | 155,534 |
| Income tax | 11 | (125,370) | (177,506) |
| | | <hr/> | <hr/> |
| Profit/(Loss) for the year | | € 215,979 | € (21,972) |
| | | <hr/> | <hr/> |
| Total comprehensive income/(loss) for the year | | € 215,979 | € (21,972) |
| | | <hr/> | <hr/> |
| Earnings per share | 22 | 0.11 | - |
| | | <hr/> | <hr/> |

The notes on pages 21 to 46 are an integral part of these financial statements.

DIZZ FINANCE P.L.C.

Balance Sheet

As at 31 December 2018

| | Notes | 2018 € | 2017 € |
|--------------------------------------|-------|---------------------|---------------------|
| Assets | | | |
| Property, plant and equipment | 12 | 310,321 | 346,624 |
| Investment property | 13 | 2,917,969 | 4,076,669 |
| Loans owed by related companies | 14 | 6,163,420 | 6,163,420 |
| Loans owed by third parties | 15 | 88,000 | 97,000 |
| Deposits on property | 25 | 97,250 | 1,317,942 |
| Total non-current assets | | 9,576,960 | 12,001,655 |
| Trade and other receivables | 16 | 6,467,210 | 836,734 |
| Cash and cash equivalents | | - | - |
| Total current assets | | 6,467,210 | 836,734 |
| Total assets | | € 16,044,170 | € 12,838,389 |
| Equity | | | |
| Issued capital | 17 | 1,910,000 | 1,910,000 |
| Retained earnings | 18 | 1,472,450 | 1,256,471 |
| Total equity | | 3,382,450 | 3,166,471 |
| Liabilities | | | |
| Borrowings | 19 | 7,811,406 | 7,787,125 |
| Deferred tax liabilities | 20 | 195,443 | 253,378 |
| Total non-current liabilities | | 8,006,849 | 8,040,503 |
| Trade and other payables | 21 | 3,681,972 | 835,423 |
| Borrowings | 19 | 608,101 | 625,769 |
| Current tax liabilities | | 364,798 | 170,223 |
| Total current liabilities | | 4,654,871 | 1,631,415 |
| Total liabilities | | 12,661,720 | 9,671,918 |
| Total equity and liabilities | | € 16,044,170 | € 12,838,389 |

The financial statements on pages 16 to 46 were approved and authorised for issue by the Board on 29 April 2019 and were signed on its behalf by:



Mr Joseph C Schembri
Director



Ms Diane Izzo
Director

DIZZ FINANCE P.L.C.

Statement of Changes in Equity

For the year ended 31 December 2018

| | Issued capital € | Retained earnings € | Total € |
|------------------------------------|------------------------|---------------------------|-------------|
| Changes in equity for 2017 | | | |
| Balance at 1 January 2017 | 1,910,000 | 1,278,443 | 3,188,443 |
| Comprehensive income | | | |
| Loss for the year | - | (21,972) | (21,972) |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income | 1,910,000 | 1,256,471 | 3,166,471 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2017 | 1,910,000 | 1,256,471 | 3,166,471 |
| | <hr/> | <hr/> | <hr/> |
| Changes in equity for 2018 | | | |
| Balance at 1 January 2018 | 1,910,000 | 1,256,471 | 3,166,471 |
| Comprehensive income | | | |
| Profit for the year | - | 215,979 | 215,979 |
| | <hr/> | <hr/> | <hr/> |
| Total comprehensive income | 1,910,000 | 1,472,450 | 3,382,450 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2018 | € 1,910,000 | € 1,472,450 | € 3,382,450 |
| | <hr/> | <hr/> | <hr/> |

DIZZ FINANCE P.L.C.

Statement of Cash Flows

For the year ended 31 December 2018

| | Note | 2018 € | 2017 € |
|---|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 341,349 | 155,534 |
| Adjustments for: | | | |
| Depreciation | | 45,582 | 43,999 |
| Profit from disposal of immovable property | | (16,408) | - |
| Profit on disposal of investments | | - | (5,256) |
| Bank interest expense | | 12 | 22 |
| Bond interest expense | | 400,000 | 400,000 |
| Interest income | | (659,275) | (498,677) |
| Amortisation of bond issue costs | | 24,281 | 24,281 |
| | | <hr/> | <hr/> |
| Operating profit before working capital changes | | 135,541 | 119,903 |
| Movement in receivables | | 1,571 | 148,890 |
| Movement in payables | | 50,716 | (46,537) |
| | | <hr/> | <hr/> |
| Cash generated from operations | | 187,828 | 222,256 |
| Tax paid | | (12,260) | (8,238) |
| Interest paid | | (12) | (22) |
| Interest received | | 659,275 | 498,677 |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 834,831 | 712,673 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (9,279) | (21,695) |
| Payment for acquisition of investment property | | (371,392) | (193,004) |
| Disposal of financial assets | | - | 105,348 |
| Payments received on disposal of investment property | | 1,700,000 | - |
| Movement on promise of sale agreements on acquisition of immovable property | | 347,191 | (525,000) |
| | | <hr/> | <hr/> |
| Net cash generated from/(used in) investing activities | | € 1,666,520 | € (634,351) |
| | | <hr/> | <hr/> |

DIZZ FINANCE P.L.C.

Statement of Cash Flows (continued)

For the year ended 31 December 2018

| | Note | 2018 € | 2017 € |
|---|------|-------------|------------|
| Cash flows from financing activities | | | |
| Loans to related companies | | (2,092,682) | (107,457) |
| Loans (to)/from related parties | | (2,508) | 154,147 |
| Repayment of loans from third parties | | 9,000 | 3,000 |
| Payment of bond interest | | (400,000) | (400,000) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (2,486,190) | (350,310) |
| | | <hr/> | <hr/> |
| Net movement in cash and cash equivalents | | 15,161 | (271,988) |
| Cash and cash equivalents at beginning of year | | (51,637) | 220,351 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 23 | € (36,476) | € (51,637) |
| | | <hr/> | <hr/> |

Notes to the Financial Statements

For the year ended 31 December 2018

1 REPORTING ENTITY AND OTHER INFORMATION

Dizz Finance P.L.C. is a limited liability company domiciled and incorporated in Malta. The company's registered office is Dizz Buildings, Carob Street, Santa Venera. The company is to act as a finance, investment and property-holding company for lease to third parties and related companies. The financial statements are presented in Euro, which is the Company's functional currency.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**Standards and interpretations applied during the current year**

Amendments and interpretations applicable for the first time in 2018 shown here under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Company.

| Standard | Subject of amendment | Effective date |
|--|--|-----------------------|
| <i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i> | Amendments resulting from <i>Annual Improvements 2016–2016 Cycle</i> (removing short-term exemptions) | 1 January 2018 |
| <i>IFRS 2 Share-based Payment</i> | Amendments to clarify the classification and measurement of share-based payment transactions | 1 January 2018 |
| <i>IFRS 4 Insurance Contracts</i> | Amendments regarding the interaction of IFRS 4 and IFRS 9 | 1 January 2018 |
| <i>IFRS 9 Financial Instruments</i> | Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | 1 January 2018 |
| <i>IFRS 15 Revenue from Contracts with Customers</i> | Clarifications to IFRS 15 'Revenue from Contracts with Customers' issued | 1 January 2018 |
| <i>IAS 28 Investments in Associates and Joint Ventures</i> | Amendments resulting from <i>Annual Improvements 2014–2016 Cycle</i> (clarifying certain fair value measurements) | 1 January 2018 |
| <i>IAS 40 Investment Property</i> | Amendments to clarify transfers or property to, or from, investment property | 1 January 2018 |
| IFRIC Interpretation 22 | Foreign Currency Transactions and Advance Considerations | 1 January 2018 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

| <i>Standard</i> | <i>Subject of amendment</i> | <i>Effective date</i> |
|--|--|-----------------------|
| <i>IAS 12 Income Taxes</i> | Amendments resulting from <i>Annual Improvements 2015-2017 Cycle</i> (income tax consequences of dividends) | 1 January 2019 |
| <i>Amendments to IAS 19</i> | <i>Plan Amendment, Curtailment or Settlement</i> | 1 January 2019 |
| <i>IAS 23 Borrowings Costs</i> | Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (borrowing costs eligible for capitalisation) | 1 January 2019 |
| <i>IAS 28 Investments in Associates and Joint Ventures</i> | Amendments regarding long-term interests in associates and joint ventures | 1 January 2019 |
| <i>IFRS 3 Business Combinations</i> | Amendments resulting from <i>Annual Improvements 2015–2017 Cycle</i> (re-measurement of previously held interest) | 1 January 2019 |
| <i>IFRS 9 Financial Instruments</i> | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | 1 January 2019 |
| <i>IFRS 11 Joint Arrangements</i> | Amendments resulting from <i>Annual Improvements 2015-2017 Cycle</i> (re-measurement of previously held interest) | 1 January 2019 |
| <i>IFRS 16 Leases</i> | Original Issue | 1 January 2019 |
| <i>IFRS 17 Insurance Contracts</i> | Original Issue | 1 January 2021 |
| <i>IFRIC Interpretation 23</i> | <i>Uncertainty over Income Tax Treatment</i> | 1 January 2019 |
| <i>Amendments to IFRS 10 and IAS 28</i> | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | 1 January 2019 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act, 1995. The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value.

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 Company's accounting policies. 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.

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 year presented, unless otherwise stated.

3.2 REVENUE RECOGNITION

The Company recognises revenue from the following major sources as detailed here under:

3.2.1 Dividends and interest income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

3.2.2 Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease on the annual income received.

3.3 LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.3 LEASING (continued)

3.3.1 The Group as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.3.2 The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.4 FOREIGN CURRENCY AMOUNTS

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

3.5 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.6 SHORT TERM AND OTHER LONG TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

3.7 TAXATION

The income tax expense represents the sum of the tax currently payable and deferred tax.

3.7.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3.7.2 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.7 TAXATION (continued)

3.7.2 Deferred Tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.7.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.8 PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.8 PROPERTY, PLANT AND EQUIPMENT (continued)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end with the effect of any changes in estimate accounted for on a prospective basis.

The annual rates used, which are consistent with those applied in previous years are:

| | % |
|--------------------------|----|
| Improvements to premises | 10 |
| Furniture and fittings | 10 |
| Computer equipment | 25 |

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.9 INVESTMENT PROPERTY

Investment Properties are properties held to earn rentals and capital accretion. Investment Properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, Investment Properties are measured at fair value. All of the Company's property interests held to earn rentals are accounted for as Investment Properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of Investment Properties are included in profit or loss in the period in which they arise.

An Investment Property is derecognised upon disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. The amount of consideration to be included in the gain or loss arising from the derecognition of Investment Property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from Investment Property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an Investment Property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.10 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.12 FINANCIAL ASSETS

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.12 FINANCIAL ASSETS (continued)

Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime Expected Credit Losses (ECL) for trade receivables, contract assets and lease receivables.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.12 FINANCIAL ASSETS (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.13 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 ACCOUNTING POLICIES (continued)

3.13 FINANCIAL LIABILITIES (continued)

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.

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 reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.14 PROVISIONS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 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. Dividends are recognised as liability in the period in which they are declared.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies*4.1.1 Deferred taxation on investment properties (properties)*

For the purpose of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Company's investment property portfolios and concluded that the Company's investment properties are held for capital accretion and achieve rental income. Deferred tax was calculated according to the applicable tax rate on the fair value of property.

4.1.2 Deferred taxation on investment properties (leased properties)

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

4.2 Key sources of estimation uncertainty*4.2.1 Fair value measurements and valuation processes*

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 12, 13, 16, and 21.

5 REVENUE

| | 2018 | 2017 |
|---------------|-----------|-----------|
| Rental income | € 227,400 | € 224,998 |
| | <hr/> | <hr/> |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

| | | | |
|-----------|--|-----------|-----------|
| 6 | PROFIT BEFORE TAX | | |
| | | 2018 | 2017 |
| | | € | € |
| | Operating profit is stated after charging: | | |
| | Auditors' remuneration | 12,000 | 18,000 |
| | Directors' remuneration | 20,000 | 35,000 |
| | Depreciation of property, plant and equipment | 45,582 | 43,999 |
| | | <hr/> | <hr/> |
| 7 | GAINS ON REVALUATION OF INVESTMENT PROPERTY | | |
| | As per accounting policies of the Company, investment property is measured at fair value and any profit or losses are accounted for through the statement of profit or loss. | | |
| 8 | OTHER INCOME | | |
| | | 2018 | 2017 |
| | | € | € |
| | Profit on disposal of investment property | 16,408 | - |
| | Other income | 8,000 | - |
| | | <hr/> | <hr/> |
| | | € 24,408 | € - |
| | | <hr/> | <hr/> |
| 9 | FINANCE INCOME | | |
| | | 2018 | 2017 |
| | | € | € |
| | Interest receivable | 659,275 | 498,677 |
| | Profit on disposal of investments | - | 5,256 |
| | Interest on loan to third parties | 2,285 | - |
| | | <hr/> | <hr/> |
| | | € 661,560 | € 503,933 |
| | | <hr/> | <hr/> |
| 10 | FINANCE COSTS | | |
| | | 2018 | 2017 |
| | | € | € |
| | Interest payable on bonds | 400,000 | 400,000 |
| | Amortisation of bond expenses (note 19) | 24,281 | 24,281 |
| | Bank charges | 2,464 | 2,009 |
| | Bank interest | 12 | 22 |
| | Bond related expenses | 2,118 | 858 |
| | | <hr/> | <hr/> |
| | | € 428,875 | € 427,170 |
| | | <hr/> | <hr/> |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

11 INCOME TAX

The tax expense for the year consists of:

| | 2018 € | 2017 € |
|--|-----------------|-----------------|
| Malta Income Tax at 35% on taxable income for the year | 171,965 | 106,611 |
| Final withholding tax at 15% on rental income | 11,340 | 11,700 |
| Deferred tax expense in respect of the year | (57,935) | 59,195 |
| | <hr/> € 125,370 | <hr/> € 177,506 |

Tax on profit for the year differs from the theoretical tax expense that would apply on the company's profit for the year before tax using the applicable tax rate in Malta of 35% as follows:

| | 2018 € | 2017 € |
|--|-----------|-----------|
| Profit before tax | 341,349 | 155,534 |
| | <hr/> | <hr/> |
| Theoretical tax at 35% | 119,472 | 54,437 |
| Tax effect of expenses not subject to tax: | | |
| Depreciation on property, plant and equipment | 15,954 | 15,400 |
| Effect of allowance deductible from rental income | (10,626) | (10,290) |
| Disallowable expenses | 184,253 | 143,283 |
| Gain on disposal on property, plant and equipment | - | (1,628) |
| Profit on disposal of investments | - | (1,840) |
| Investment property revaluations | (57,935) | 59,195 |
| Tax effect of income that is deductible in determining taxable profit: | | |
| Rental income | (15,120) | (15,600) |
| Tax effect on interest payable | (104,885) | (65,451) |
| Exempt sale of investment property | (5,743) | - |
| | <hr/> | <hr/> |
| Income tax expense recognised in profit or loss | € 125,370 | € 177,506 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

12 PROPERTY, PLANT AND EQUIPMENT

| | Improvements to buildings € | Furniture and fittings € | Computer equipment € | Total € |
|--|-----------------------------------|--------------------------------|----------------------------|------------|
| <u>Cost/revalued amount</u> | | | | |
| At 1 January 2017/At 31 December 2017 | 418,286 | 21,695 | - | 439,981 |
| At 1 January 2018 | 418,286 | 21,695 | - | 439,981 |
| Additions | - | 4,915 | 4,364 | 9,279 |
| At 31 December 2018 | 418,286 | 26,610 | 4,364 | 449,260 |
| <u>Depreciation</u> | | | | |
| At 1 January 2017 | 49,358 | - | - | 49,358 |
| Charge for the year | 41,829 | 2,170 | - | 43,999 |
| At 31 December 2017 | 91,187 | 2,170 | - | 93,357 |
| At 1 January 2018 | 91,187 | 2,170 | - | 93,357 |
| Charge for the year | 41,829 | 2,662 | 1,091 | 45,582 |
| At 31 December 2018 | 133,016 | 4,832 | 1,091 | 138,939 |
| <u>Carrying amounts</u> | | | | |
| At 31 December 2018 | € 285,270 | € 21,778 | € 3,273 | € 310,321 |
| At 31 December 2017 | € 327,099 | € 19,525 | € - | € 346,624 |

13 INVESTMENT PROPERTY

| | Land and buildings € |
|-----------------------------|----------------------------|
| <u>Cost/revalued amount</u> | |
| At 1 January 2017 | 3,883,665 |
| Additions | 193,004 |
| Revaluation | - |
| At 31 December 2017 | 4,076,669 |
| At 1 January 2018 | 4,076,669 |
| Additions | 524,892 |
| Disposals | (1,683,592) |
| At 31 December 2018 | 2,917,969 |
| <u>Carrying amounts</u> | |
| At 31 December 2018 | € 2,917,969 |
| At 31 December 2017 | € 4,076,669 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

13 INVESTMENT PROPERTY (continued)

The land and buildings consist of land and buildings transferred from a related company and additions from related parties and third parties. Investment property is rented out to related companies and third parties in order to generate rental income.

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined on market value. Such fair value is carried out on an annual basis and the Directors have also assessed that the carrying value of investment property as at 31 December 2018 approximates fair value. The fair value measurement of the Company's land and buildings were performed by Architect and Civil Engineer Kurt Vella, an independent valuer not related to the Company.

14 LOANS OWED BY RELATED COMPANIES

| | 2018 | 2017 |
|------------------------------------|-----------------------------|-----------------------------|
| Amounts due from related companies | € 6,163,420 | € 6,163,420 |
| | <u> </u> | <u> </u> |

As per the terms of agreement included in the contracts dated 30 November 2016 entered into with the related companies, the amounts due therefrom are repayable at the end of the 10 year period and are subject to an interest rate of 5% - 11% per annum.

15 LOANS OWED BY THIRD PARTIES

| | 2018 | 2017 |
|--------------------------------|-----------------------------|-----------------------------|
| Amounts due from third parties | € 88,000 | € 97,000 |
| | <u> </u> | <u> </u> |

The amounts due from third parties represent dues from Dal Café Limited whose shares were disposed off during the financial year 2017 and sold to third parties. The dues are subject to an interest rate of 6% per annum.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

16 TRADE AND OTHER RECEIVABLES

| | 2018 € | 2017 € |
|---|-------------|-----------|
| Trade receivables | 4,350 | 48,116 |
| Other receivables | 43,737 | 1,541 |
| Amounts due from related parties (note) | 6,419,123 | 787,077 |
| | <hr/> | <hr/> |
| | € 6,467,210 | € 836,734 |
| | <hr/> | <hr/> |

Note:

The amounts due from related parties are all unsecured, interest free and repayable on demand.

17 ISSUED CAPITAL

| | 2018 | 2017 |
|---|-------------|-------------|
| <u>Authorised</u> | | |
| 1,910,000 ordinary shares of €1 each | € 1,910,000 | € 1,910,000 |
| | <hr/> | <hr/> |
| <u>Called-up, issued and fully paid</u> | | |
| 1,910,000 ordinary shares of €1 each | € 1,910,000 | € 1,910,000 |
| | <hr/> | <hr/> |

The holders of ordinary shares are entitled to receive dividends as declared by time to time and are entitled to one vote per share at shareholders' meetings of the Company.

18 RETAINED EARNINGS

The profit and loss account represents accumulated retained earnings.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 BORROWINGS

| | 2018 € | 2017 € |
|---|-------------|-------------|
| Amounts falling due within one year: | | |
| Bank balance overdrawn | 36,476 | 51,637 |
| Amounts due to related party (note) | 571,625 | 574,132 |
| | <hr/> | <hr/> |
| Total borrowings due within one year | € 608,101 | € 625,769 |
| | <hr/> | <hr/> |
| Amounts falling after more than five years: | | |
| 5% Bonds 2026 (note 19.1) | 7,811,406 | 7,787,125 |
| | <hr/> | <hr/> |
| Total borrowings due after five years | € 7,811,406 | € 7,787,125 |
| | <hr/> | <hr/> |
| Total borrowings | € 8,419,507 | € 8,412,894 |
| | <hr/> | <hr/> |

The exposures to interest rates of the Company's borrowings were as follows:

| | 2018 | 2017 |
|-------------------|-------|-------|
| At variable rates | 9.25% | 9.25% |
| At fixed rates | 5% | 5% |
| | <hr/> | <hr/> |

The average interested rates on the Company's borrowings were as follows:

| | 2018 | 2017 |
|------------------------|-------|-------|
| Bank balance overdrawn | 9.25% | 9.25% |
| Bonds | 5% | 5% |
| | <hr/> | <hr/> |

Note :

The amounts owed to related party are all unsecured, interest free and repayable on demand.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 BORROWINGS (continued)**19.1 BONDS**

| | 2018 | 2017 |
|--|-------------|-------------|
| 5% Bonds 2026 | € 7,811,406 | € 7,787,125 |
| | _____ | _____ |
| Proceeds | € 8,000,000 | € 8,000,000 |
| | _____ | _____ |
| Gross amount of bond issue costs | € 242,811 | € 242,811 |
| | _____ | _____ |
| <u>Amortisation of gross amount of bond issue costs:</u> | | |
| At 1 January | 29,936 | 5,655 |
| Amortisation for the year | 24,281 | 24,281 |
| | _____ | _____ |
| Accumulated amortisation at end of year | 54,217 | 29,936 |
| | _____ | _____ |
| Unamortised bond issue costs | € 188,594 | € 212,875 |
| | _____ | _____ |
| Amortised cost and closing carrying amount | € 7,811,406 | € 7,787,125 |
| | _____ | _____ |

On 16 September 2016, the Company issued a prospectus for the issue of Euro 8,000,000 5% Unsecured Bonds having a nominal value of Euro 100 each. The Bonds were issued in one tranche of Euro 8,000,000 on 28 September 2016 and were fully subscribed. The bond issue was admitted to the Official List of the Malta Stock Exchange plc with effect from 13 October 2016. Trading on the bond issue commenced on 14 October 2016.

The Bonds are redeemable at par on 7 October 2026. Interest on the bond issued is payable annually in arrears on 7 October.

The net proceeds from the bond issue have been advanced by the Company to the respective related Group companies to:

- settle outstanding payments on the acquisition of brands active in the fashion industry; the refurbishment and roll-out of new outlets; to acquire other high-end retail franchises; and to acquire the inventories and equipment pertaining thereto;
- advances by the Company to the related companies forming part of the Group to reduce their bank indebtedness through the refinancing of outstanding loans and general banking facilities;
- advances by the Company to Dizz Manufacturing Limited for the purpose of part funding the construction and development of immovable property; and

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 BORROWINGS (continued)**19.1 BONDS (continued)**

- advances by the Company to the related companies forming part of the Group for general corporate funding purposes.

The Bonds constitute the general, direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank equally without any priority or preference with other present and future unsecured and unsubordinated obligations of the Company.

As at 31 December 2018, Mr Francis Gouder (director) held 50,000 bonds at Euro 1 each in Dizz Finance P.L.C. amounting to Euro 50,000.

20 DEFERRED TAX LIABILITIES

| | 2018 | 2017 |
|--------------------------|-----------------------------|-----------------------------|
| Deferred tax liabilities | € 195,443 | € 253,378 |
| | <u> </u> | <u> </u> |

The deferred tax liabilities relates to the investment property held by the Company. As at 31 December 2018 the effective rate of tax applicable on the sale of investment property amounts to a 5%-10% final tax on the property's transfer value.

21 TRADE AND OTHER PAYABLES

| | 2018 | 2017 |
|---|-----------------------------|-----------------------------|
| | € | € |
| Amounts falling due within one year: | | |
| Trade payables | 39,066 | 10,772 |
| Other payables | 32,622 | 32,080 |
| Accruals | 111,300 | 112,951 |
| Amounts due to related companies (note) | 3,498,984 | 679,620 |
| | <u> </u> | <u> </u> |
| | € 3,681,972 | € 835,423 |
| | <u> </u> | <u> </u> |

Note:

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

22 EARNINGS PER SHARE

Earnings per share is calculated by dividing the results attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2018 | 2017 |
|------------------------------------|-----------|------------|
| Profit/(Loss) for the year | € 215,979 | € (21,972) |
| | <hr/> | <hr/> |
| Weighted number of ordinary shares | 1,910,000 | 1,910,000 |
| | <hr/> | <hr/> |
| Earnings per shares | € 0.11 | € 0.00 |
| | <hr/> | <hr/> |

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

| | 2018 € | 2017 € |
|------------------------|------------|------------|
| Cash at bank | - | - |
| Bank balance overdrawn | (36,476) | (51,637) |
| | <hr/> | <hr/> |
| | € (36,476) | € (51,637) |
| | <hr/> | <hr/> |

The cash and cash equivalents are disclosed net of unrealised differences on exchange.

24 RELATED PARTIES**24.1 Parent Company**

The Company is a wholly-owned subsidiary of Dizz Group of Companies Limited, the Group's parent Company. The registered office of the parent Company is situated at Dizz Buildings, Carob Street St. Venera.

It is the responsibility of the parent Company to prepare consolidated financial statements of the Group.

24.2 Key management personnel and director transactions

The share capital of the Company is subscribed as to 1 share held by Diane Izzo (director and ultimate beneficiary owner) and 1,909,999 shares held by Dizz Group of Companies Limited. Key management personnel have control over the financial and operating policies of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

24 RELATED PARTIES (continued)

Balances with related parties are set out in notes 14, 16, 19 and 21 to these financial statements. Other transactions with related parties are included in the statement of cash flows.

24.3 Related party transactions and balances

| | Notes | Transaction value year ended 31 December | | Balance outstanding as at 31 December | |
|-----------------------------------|-------|--|-----------|--|-----------|
| | | 2018 € | 2017 € | 2018 € | 2017 € |
| <u>Revenue</u> | | | | | |
| Rental income | | 151,800 | 136,800 | - | - |
| Interest income | | 661,560 | 498,677 | - | - |
| <u>Financing transaction</u> | | | | | |
| Loan due from related companies | 24.4 | - | - | 6,163,420 | 6,163,420 |
| Amount due from related companies | 24.5 | 5,632,046 | 787,077 | 6,419,123 | 787,077 |
| Loan to related party | 24.5 | (2,507) | 154,150 | 571,625 | 574,132 |
| Amounts due to related companies | 24.5 | 2,819,364 | 679,620 | 3,498,984 | 679,620 |

24.4 Euro 6,163,420 owed by the related companies in relation to advances forwarded by the Company are unsecured, bear interest at 5%-11% and repayable at the end of the 10 year agreement made between the parties concerned. Other amounts are repayable on demand and are interest free.

24.5 The amounts due from/(to) related party and related companies are unsecured, interest free and repayable on demand.

25 CAPITAL COMMITMENTS

| | 2018 | 2017 |
|----------------------------|-----------|-------------|
| Commitments contracted for | € 225,000 | € 2,507,291 |

As at 31 December 2018 the Company's capital commitments with regards to purchase of immovable property amounts to Euro 225,000. During the year under review the Company had Euro 97,250 (2017 - Euro 1,317,942) as deposits paid on account on such immovable property. During the year under review the company has acquired property that was under a promise of sale agreement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

26 FINANCIAL INSTRUMENTS

The Company's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk); credit risk; and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company'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. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

26.1 Market risk

Cash flow and fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows.

As at the reporting date, the Company has fixed and variable rate interest bearing liabilities. Fixed interest-bearing liabilities consist of 5% bonds issued to the general public whilst variable-bearing liabilities consist of bank overdrawn.

As at the statement of financial position date, the Company's exposure to changes in interest rates on bank overdraft held with financial institutions was limited as the level of borrowings with variable interest-bearing liabilities is immaterial with the level of borrowing with a fixed rate interest rate.

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

26.2 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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. The Company does not hold any collateral as security in this respect. The majority of the Company's income streams are derived from related companies and some of the Directors have control over the related company's operations.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

26 FINANCIAL INSTRUMENTS (continued)

The maximum credit risk exposure to risk at the end of the reporting period in respect of these financial assets was as follows –

| | 2018 € | 2017 € |
|-----------------------------|-----------|-----------|
| Trade and other receivables | 48,084 | 49,657 |
| Cash at bank | - | - |
| | <hr/> | <hr/> |
| | € 48,084 | € 49,657 |
| | <hr/> | <hr/> |

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

The Company manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the end of the reporting period.

26.3 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 (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 Company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

The Company's liquidity risk is managed actively by the Company in view of the fact that the Company's financial assets and liabilities mainly consist of balances with company's undertakings.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted contractual cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

26 FINANCIAL INSTRUMENTS (continued)

26.3 Liquidity risk (continued)

| | Carrying amounts € | Contractual cash flows € | 1-12 months € | 1-5 years € | After 5 years € |
|-----------------------------|--------------------------|--------------------------------|---------------------|--------------------|-----------------------|
| At 31 December 2018 | | | | | |
| Bank balance overdrawn | 36,476 | 36,476 | 36,476 | - | - |
| Related party loan | 571,625 | 571,625 | 571,625 | - | - |
| Trade and other payables | 71,688 | 71,688 | 71,688 | - | - |
| Bonds | 7,811,406 | 11,200,000 | 400,000 | 1,600,000 | 9,200,000 |
| | <u>€ 8,491,195</u> | <u>€ 11,879,789</u> | <u>€ 1,079,789</u> | <u>€ 1,600,000</u> | <u>€ 9,200,000</u> |
| At 31 December 2017 | | | | | |
| Bank balance overdrawn | 51,637 | 51,637 | 51,637 | - | - |
| Related party loan | 574,132 | 574,132 | 574,132 | - | - |
| Trade and other payables | 42,852 | 42,852 | 42,852 | - | - |
| Bonds | 7,787,125 | 11,600,000 | 400,000 | 1,600,000 | 9,600,000 |
| | <u>€ 8,455,746</u> | <u>€ 12,268,621</u> | <u>€ 1,068,621</u> | <u>€ 1,600,000</u> | <u>€ 9,600,000</u> |

26.4 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Prospectus issued in relation to the 5% bonds.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of business. The Board of Directors monitor the return on capital, which the Company defines as the profit for the year divided by total equity. The Board of Directors also monitors the level of dividends that may be available to ordinary shareholders.

27 CONTINGENT LIABILITIES

At year end, the Company had bank guarantees for € 160,000 in favour of third parties.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2019.