DIZZ FINANCE P.L.C.

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017

DIZZ FINANCE P.L.C.

Company Information

Directors :	Ms Diane Izzo Mr Karl Izzo Dr Laragh Cassar Mr Francis Gouder Mr Edwin Pisani Mr Nigel Scerri Mr Joseph C Schembri
Secretary :	Dr Sam Abela
Company number :	C 71189
Registered office :	Dizz Buildings Carob Street St. 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.

Contents

Report of the Directors
For the year ended 31 December 2017

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

Incorporation

The Company was incorporated on 24 June 2015. On 15 January 2016 the Company passed an extraordinary resolution to convert the status of the Company from a private exempt limited company into a public limited company.

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 services 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 2017 was primarily attributable to rental income amounting to Euro 224,998 (2016 – Eur 186,920). This is expected to increase steadily over the next financial period.

During the year under review the Company registered a profit before taxation of Euro 155,534 (2016 – Euro 696,552.) In the year 2016 the Company revalued the Investment Property resulting in a gain of Euro 600,605. 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 and loss.

Review of business (continued)

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.

Post Balance Sheet Events

The Directors evaluated subsequent events from 1 January 2018 through 19 April 2018, the date the financial statements are approved. The Board 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
Mr Francis Gouder
Mr Edwin Pisani
Mr Nigel Scerri
Mr Joseph C Schembri

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

Directors' interest

The directors' beneficial interest in the shares of the Company at 31 December 2017 is limited to 1 ordinary share having a nominal value of €1 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.

In view of the above information, we declare that to the best of our knowledge, the financial statements were prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that this report includes a fair review of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

Report of the Directors (continued)
For the year ended 31 December 2017

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	Ms Diane Izzo
Director	Director

19 April 2018

Corporate Governance - Statement of Compliance
For the year ended 31 December 2017

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. Nigel Scerri (Executive Director), Mr. Karl Izzo (Executive Director), Mr. Edwin Pisani (Executive Director), Mr. Francis Gouder (Non-Executive Director), Mr. Joseph C Schembri (Non-Executive Director) and Dr. Laragh Cassar (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.

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. Laragh Cassar 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.

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:

Members	*Meetings Attended out of total held during tenure*
Ms Diane Izzo	5 out of 5
Mr Karl Izzo	5 out of 5
Mr Edwin Pisani	5 out of 5
Mr Nigel Scerri	5 out of 5
Mr Francis Gouder	5 out of 5
Mr Joseph C Schembri	4 out of 5
Dr Laragh Cassar	5 out of 5

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

Board Committees

<u>Audit Committee</u>

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 Schembri (independent non-executive director and Chairman of the Audit Committee), Mr Francis Gouder (independent non-executive director) and Dr Laragh Cassar (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.

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings (continued)

Board Committees (continued)

<u>Senior Management</u>

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 Nigel Scerri and Edwin Pisani reporting directly to them. Denise Bonello (brand manager for Terranova and Calliope), Daniela Bonello (Liu Jo brand manager) and Matthew Zammit (Pascucci brand manager) all report directly to Edwin Pisani, Group Chief Operations Officer, responsible for operations management.

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 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.

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 2018.

Part 2: Non-Compliance with the Code

<u>Principle 2: Chairman and Chief Executive</u>

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.

<u>Principle 4: Responsibilities of the Board</u>

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.

<u>Principle 7: Evaluation of the Board's Performance</u>

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.

<u>Principle 8: Committees</u>

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.

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 35,000.

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 19 April 2018 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 42, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 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 2017, 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 2017 the Company held Investment Property of Euro 4,076,669. As described in the Accounting Policies in note 5 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 2017 the Company held Euro 6,950,497 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 2017 the Company was owed Euro 97,000 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 (formerly known as DKM Limited). The loan granted by Dizz Finance P.L.C. was used by Dal Cafe Limited 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.

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.

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Partners Joseph Gauci Dennis Mark Gauci Bernard Charles Gauci

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

19 April 2018

Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 €	2016 €
Revenue	6	224,998	186,920
Administrative expenses		(146,227)	(106,567)
Operating profit		78,771	80,353
Gains on revaluation of Investment Property	8	-	600,605
Finance income	9	503,933	115,736
Finance costs	10	(427,170)	(100,142)
Profit before tax	7	155,534	696,552
Income tax	11	(177,506)	(103,629)
(Loss)/Profit for the year		€ (21,972)	€ 592,923
Total comprehensive (loss)/income for the year		€ (21,972)	€ 592,923
Earnings per share	23	-	0.31

The notes on pages 20 to 42 are an integral part of these financial statements.

DIZZ FINANCE P.L.C.

Statement of Financial Position
As at 31 December 2017

	Notes	2017 €	2016 €
Assets			
Property, plant and equipment	12	346,624	368,928
Investment property	13	4,076,669	3,883,665
Other financial assets	14	-	100,092
Loans owed by related companies	15	6,163,420	6,263,420
Loans owed by third parties	16	97,000	-
Deposits on property	26	1,317,942	792,942
Total non-current assets		12,001,655	11,409,047
Trade and other receivables	17	836,734	198,547
Cash and cash equivalents		-	220,351
Total current assets		836,734	418,898
Total assets		€ 12,838,389	€ 11,827,945
Equity			
Issued capital	18	1,910,000	1,910,000
Retained earnings	19	1,256,471	1,278,443
Total equity		3,166,471	3,188,443
Liabilities			
Borrowings	20	7,787,125	7,762,844
Deferred tax	21	253,378	194,183
Total non-current liabilities		8,040,503	7,957,027
Trade and other payables	22	835,423	202,342
Borrowings	20	625,769	419,983
Current tax liabilities		170,223	60,150
Total current liabilities		1,631,415	682,475
Total liabilities		9,671,918	8,639,502
Total equity and liabilities		€ 12,838,389	€ 11,827,945

The financial statements on pages 20 to 42 were approved by the board of directors on 19 April 2018 and were signed on its behalf by:

Mr Joseph C Schembri
Director

Ms Diane Izzo
Director

Statement of Changes in Equity
For the year ended 31 December 2017

	Issued capital €	Retained earnings €	Total €
Changes in equity for 2016			
Balance at 1 January 2016	900,000	685,520	1,585,520
Comprehensive income			
Profit for the year	-	592,923	592,923
Total comprehensive income	900,000	1,278,443	2,178,443
Transaction with owners, recorded directly in equity			
Issue of share capital	1,010,000	-	1,010,000
Total transactions with owners	1,010,000	-	1,010,000
Balance at 31 December 2016	1,910,000	1,278,443	3,188,443
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)
Total comprehensive income	1,910,000	1,256,471	3,166,471
Balance at 31 December 2017	€ 1,910,000	€ 1,256,471	€ 3,166,471

DIZZ FINANCE P.L.C.

Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 €	2016 €
Cash flows from operating activities			
Cash generated from operations	24(a)	222,256	197,444
Tax paid		(8,238)	(5,380)
Interest paid		(22)	(539)
Interest received		498,677	-
Net cash generated from operating activities		712,673	191,525
Cash flows from investing activities			
Acquisition of property, plant and equipment		(21,695)	-
Payment for investment property		(193,004)	(1,164,660)
Disposal/(Acquisition) of financial assets		105,348	(100,092)
Deposits on property		(525,000)	(661,291)
Net cash used in investing activities		(634,351)	(1,926,043)
Cash flows from financing activities			
Loans to related companies		(107,457)	(7,245,339)
Loans from related parties		154,147	452,366
Repayment of loans from third parties		3,000	-
Payment of Bond interest		(400,000)	-
Net proceeds from bond issue		-	7,757,189
Proceeds from issue of share capital		-	1,010,000
Net cash (used in)/generated from financing activities		(350,310)	1,974,216
Net movement in cash and cash equivalents		(271,988)	239,698
Cash and cash equivalents at beginning of year		220,351	(19,347)
Cash and cash equivalents at end of year	24(b)	€ (51,637)	€ 220,351

1 REPORTING ENTITY

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, St. Venera. The company is to act as a finance, investment and property-holding company for lease to third parties and related companies.

2 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.

They were authorised for issue by the company's directors on 19 April 2018.

3 FUNCTIONAL AND PRESENTATION CURRENCY

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

4 NEW AND REVISED STANDARDS

The following new and revised Standards issued by the International Accounting Standards Board (IASB) have been adopted (where applicable) in the current year financial statements:

Standard	Subject of amendment	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments resulting from *Annual Improvements 2014–2016* Cycle (removing short-term exemptions)	1 Jan 2018
IFRS 2 Share-based Payment	Amendments to clarify the classification and measurement of share-based payment transactions	1 Jan 2018
IFRS 3 Business Combinations	Amendments resulting from *Annual Improvements 2015–2017 Cycle* (re-measurement of previously held interest)	1 Jan 2019
IFRS 4 Insurance Contracts	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 Jan 2018
IFRS 9 Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 Jan 2018 1 Jan 2019
IFRS 11 Joint Arrangements	Amendments regarding the accounting for acquisition of an interest in a joint operation Amendments resulting from *Annual Improvements 2015-2017* Cycle (re-measurement of previously held interest)	1 Jan 2016 1 Jan 2019
IFRS 12 Disclosure of Interests in Other Entities	Amendments regarding the application of the consolidation exception Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope)	1 Jan 2016 1 Jan 2017

4 NEW AND REVISED STANDARDS (continued)

IFRS 15 Revenue from Contracts with Customers	Original Issue Amendments to defer the effective date to January 2018 Clarifications to IFRS 15	1 Jan 2018 1 Jan 2018 1 Jan 2018
IFRS 16 Leases	Original Issue	1 Jan 2019
IFRS 17 Insurance Contracts	Original Issue	1 Jan 2021
International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)	Amendments as the result of the first comprehensive review	1 Jan 2017
IAS 7 Statement of Cash Flows	Amendments as result of Disclosure initiative	1 Jan 2017
IAS 12 Income Taxes	Amendments regarding the recognition of deferred tax assets for unrealised losses Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends)	1 Jan 2017 1 Jan 2019
IAS 23 Borrowings Costs	Amendments resulting from Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalization)	1 Jan 2019

4 NEW AND REVISED STANDARDS (continued)

IAS 28 Investments in Associates and Joint Ventures	Amendments regarding the application of the consolidation exception	1 Jan 2016
	Amendments deferring the effective date of the September 2014 amendments	1 Jan 2016
	Amendments resulting from *Annual Improvements 2014–2016 Cycle* (clarifying certain fair value measurements)	1 Jan 2018
	Amendments regarding long-term interests in associates and joint ventures	1 Jan 2019
IAS 40 Investment Property	Amendments to clarify transfers or property to, or from, investment property	1 Jan 2018

The directors are of the opinion that the adoption of these Standards (where applicable) did not have a material impact on the financial statements.

5 ACCOUNTING POLICIES

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

5.1 REVENUE

5.1.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities.

5.1.2 Rental Income

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

5.1.3 Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue 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 asset to that asset's net carrying amount on initial recognition.

5.2 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.

5.3 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.4 CURRENT AND DEFERRED TAX

The tax expense for the period comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

5 ACCOUNTING POLICIES (continued)

5.4 CURRENT AND DEFERRED TAX (continued)

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.5 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 financial position 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.

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.

5 ACCOUNTING POLICIES (continued)

5.5 PROPERTY, PLANT AND EQUIPMENT (continued)

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 year are:

	%
Improvements to premises	10
Furniture and fittings	10

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.

5.6 INVESTMENT PROPERTY

Investment property, which is property held to earn rental income and/or for capital appreciation, is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

5 ACCOUNTING POLICIES (continued)

5.7 IMPAIRMENT

The carrying amounts of the Company's assets, other than investment property, inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 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.

5.8 FINANCIAL ASSETS

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

5 ACCOUNTING POLICIES (continued)

5.9 LOANS WITH NO FIXED MATURITY DATE

Loans receivable by the Company, which do not have a fixed maturity date, but which are repayable after more than twelve months from the end of the reporting period, are measured at the fair value of the consideration given less impairment losses and are included with non-current assets.

5.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit and loss.

5.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand, bank overdraft or any call deposits. Cash equivalents are short-term, high liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

5.12 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.

5.13 BORROWINGS

Borrowings are recognised as liabilities at fair value less attributable transactions costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings at an effective interest rate.

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.

5.14 PROVISIONS

A provision is recognised when the Company has legal or constructive obligations as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5 ACCOUNTING POLICIES (continued)

5.14 PROVISIONS (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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.

5.15 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

6 REVENUE

	2017	2016
	€	€
Rental income	224,998	186,920

7 PROFIT BEFORE TAX

	2017	2016
	€	€
Operating profit is stated after charging:		
Auditors' remuneration	18,000	18,000
Directors' remuneration	35,000	26,181
Depreciation of property, plant and equipment	43,999	40,992

8 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 and loss.

9 FINANCE INCOME

	2017	2016
	€	€
Dividends received	-	1,816
Interest receivable	498,677	113,920
Profit on disposal of investments	5,256	-
	€ 503,933	€ 115,736

10 FINANCE COSTS

	2017	2016
	€	€
Interest payable on bonds	400,000	93,150
Amortisation of bond expenses (note 21)	24,281	5,655
Bank charges	2,009	539
Bank interest	22	798
Bond related expenses	858	-
	€ 427,170	€ 100,142

11 INCOME TAX

The tax expense for the year consists of:

	2017	2016
	€	€
Malta Income Tax at 35% on taxable income for the year	106,611	52,548
Final withholding tax at 15% on rental income	11,700	8,238
Deferred tax expense in respect of the year	59,195	42,843
	€ 177,506	€ 103,629

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:

	2017	2016
	€	€
Profit before tax	155,534	696,552
Theoretical tax at 35%	54,437	243,793
Tax effect of expenses not subject to tax:		
Depreciation on property, plant and equipment	15,400	14,347
Effect of allowance deductible from rental income	(10,290)	(9,240)
Disallowable expenses	143,283	58,002
Gain on disposal on property, plant and equipment	(1,628)	-
Profit on disposal of investments	(1,840)	-
Investment property revaluations	59,195	(167,369)
Tax effect of income that is deductible in determining taxable profit:		
Rental income	(15,600)	(10,984)
Tax effect on interest payable	(65,451)	(24,920)
Income tax expense recognised in profit or loss	€ 177,506	€ 156,084

12 PROPERTY, PLANT AND EQUIPMENT

	Improvements to buildings €	Furniture and fittings €	Total €
Cost/revalued amount			
At 1 January 2016/At 31 December 2016	418,286	-	418,286
At 1 January 2017	418,286	-	418,286
Additions	-	21,695	21,695
At 31 December 2017	418,286	21,695	439,981
Depreciation			
At 1 January 2016	8,366	-	8,366
Charge for the year	40,992	-	40,992
At 31 December 2016	49,358	-	49,358
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
Carrying amounts			
At 31 December 2017	€ 327,099	€ 19,525	€ 346,624
At 31 December 2016	€ 368,928	€ -	€ 368,928

13 INVESTMENT PROPERTY

	Land and buildings €
Cost/revalued amount	
At 1 January 2016	2,118,400
Additions	1,164,660
Revaluation	600,605
At 31 December 2016	3,883,665
At 1 January 2017	3,883,665
Additions	193,004
Revaluation	-
At 31 December 2017	4,076,669
Carrying amounts	
At 31 December 2017	€ 4,076,669
At 31 December 2016	€ 3,883,665

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 2017 approximates fair value.

14 OTHER FINANCIAL ASSETS

	2017	2016
Available for sale investments	€ -	€ 100,092

The Company has disposed of all the investments on the Malta Stock Exchange during the year under review. The Company's holdings before the disposal consisted of 2,130 ordinary shares in Bank of Valletta plc (having a nominal value of Euro 1 per share) and 26,761 ordinary shares in HSBC Bank Malta plc (having a nominal value of Euro 0.30 per share).

15 LOANS OWED BY RELATED COMPANIES

	2017	2016
Amounts due from related companies	€ 6,163,420	€ 6,263,420

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 8% per annum.

16 LOANS OWED BY THIRD PARTIES

	2017	2016
Amounts due from third parties	€ 97,000	€ -

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

17 TRADE AND OTHER RECEIVABLES

	2017 €	2016 €
Trade and other receivables	49,657	191,423
Prepayments and accrued income	-	7,124
Amounts due from related parties (note)	787,077	-
	€ 836,734	€ 198,547

Note:

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

18 ISSUED CAPITAL

	2017	2016
Authorised		
1,910,000 ordinary shares of €1 each	€ 1,910,000	€ 1,910,000
Called-up, issued and fully paid		
1,910,000 ordinary shares of €1 each	€ 1,910,000	€ 1,910,000

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.

19 RETAINED EARNINGS

The profit and loss account represents accumulated retained distributable profits.

20 BORROWINGS

	2017 €	2016 €
Amounts falling due within one year:		
Bank balance overdrawn	51,637	-
Amounts due to related party (note 20.1)	574,132	419,983
Total borrowings due within one year	€ 625,769	€ 419,983
Amounts falling after more than five years:		
5% Bonds 2026 (note 20.2)	7,787,125	7,762,844
Total borrowings due after one year	€ 7,787,125	€ 7,762,844
Total borrowings	€ 8,412,894	€ 8,182,827

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

	2017	2016
At variable rates	9.25%	9.25%
At fixed rates	5.00% - 6.00%	5.00%

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

	2017	2016
Bank balance overdrawn	9.25%	9.25%
Bonds	5.00% -6.00%	5.00%

20.1 AMOUNTS DUE TO RELATED PARTY

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

20 BORROWINGS (continued)

20.2 BONDS

	2017	2016
5% Bonds 2026	€ 7,787,125	€ 7,762,844
Proceeds	€ 8,000,000	€ 8,000,000
Gross amount of bond issue costs	€ 242,811	€ 242,811
Amortisation of gross amount of bond issue costs:		
At 1 January	5,655	-
Amortisation for the year	24,281	5,655
Accumulated amortisation at end of year	29,936	5,655
Unamortised bond issue costs	€ 212,875	€ 237,156
Amortised cost and closing carrying amount	€ 7,787,125	€ 7,762,844

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

20 BORROWINGS (continued)

20.2 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 2017, Mr Francis Gouder (director) held 50,000 bonds at Euro 1 each in Dizz Finance P.L.C. amounting to Euro 50,000.

21 DEFERRED TAX

	2017	2016
Deferred tax	€ 253,378	€ 194,183

The deferred tax relates to the investment property held by the Company. As at 31 December 2017 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.

22 TRADE AND OTHER PAYABLES

	2017	2016
	€	€
Amounts falling due within one year:		
Trade payables	10,772	34,388
Other payables	32,080	5,001
Accruals	112,951	162,953
Amounts due to related companies (note)	679,620	-
	€ 835,423	€ 202,342

Note:

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

23 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 period.

	2017	2016
(Loss)/Profit for the year	€ (21,972)	€ 592,923
Weighted number of ordinary shares	1,910,000	1,910,000
Earnings per shares	€ 0.00	€ 0.31

24 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	2017 €	2016 €
Profit before tax	155,534	696,552
Adjustments for:		
Depreciation	43,999	40,992
Revaluation of investment property	-	(600,605)
Profit on disposal of investments	(5,256)	-
Bank interest expense	22	539
Bond interest expense	400,000	93,150
Interest income	(498,677)	(113,920)
Amortisation of bond issue costs	24,281	5,655
Operating profit before working capital changes	119,903	122,363
Movement in receivables	148,890	(32,709)
Movement in payables	(46,537)	107,790
Cash generated from operations	€ 222,256	€ 197,444

24 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) 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:

	2017	2016
	€	€
Cash at bank	-	220,351
Bank balance overdrawn	(51,637)	-
	€ (51,637)	€ 220,351

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

25 RELATED PARTIES

25.1 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.

25.2 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.

Balances with related parties are set out in notes 15,16,17,20 and 22 to these financial statements. Other transactions with related parties are included in the statement of cash flows.

25 RELATED PARTIES (continued)

25.3 Related party transactions and balances

	Notes	Transaction value Year ended 31 December 2017 €	2016 €	Balance outstanding As at 31 December 2017 €	2016 €
Revenue					
Rental income		224,998	186,920	-	-
Interest income		498,677	113,920	-	-
Financing transaction					
Loan due from related companies	25.4	-	6,263,420	6,163,420	6,263,420
Amount due from related companies	25.5	787,077	-	787,077	-
Loan to related party	25.5	154,150	419,983	574,132	419,983
Amounts due to related companies	25.5	679,620	-	679,620	-

25.4 Euro 6,163,420 owed by the related companies in relation to advances forwarded by the Company are unsecured, bear interest at 8% 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.

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

26 CAPITAL COMMITMENTS

	2017	2016
Commitments contracted for	€ 2,507,291	€ 2,507,291

As at 31 December 2017 the Company's capital commitments with regards to purchase of immovable property amounts to Euro 2,507,291. During the year under review the Company had Euro 1,317,942 (2016 - Euro 792,942) as deposits paid on account on such immovable property.

27 FINANCIAL INSTRUMENTS

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, 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 period.

27 FINANCIAL INSTRUMENTS (continued)

27.1 Market risk

(i) Foreign exchange risk

The Company's operating revenues, operating expenditure and financing are mainly denominated in euro. Accordingly, the Company's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) 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 overdrafts.

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.

27.2 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 the directors have control over the related company's operations.

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

	2017 €	2016 €
Trade and other receivables	49,657	198,547
Cash and cash equivalents	(51,637)	220,351
	€ (1,980)	€ 418,898

27 FINANCIAL INSTRUMENTS (continued)

27.2 Credit risk (continued)

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.

27.3 Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings from third parties. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

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 group 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.

	Carrying amounts €	Contractual cash flows €	1-12 months €	1-5 years €	After 5 years €
At 31 December 2017					
Bank borrowings	-	-	-	-	-
Related party loan	574,132	574,132	574,132	-	-
Trade and other payables	155,803	155,803	155,803	-	-
Bonds	7,787,125	11,600,000	400,000	1,600,000	9,600,000
	€8,517,060	€12,729,935	€1,129,935	€1,600,000	€9,600,000
At 31 December 2016					
Bank borrowings	-	-	-	-	-
Related party loan	419,983	419,983	419,983	-	-
Trade and other payables	202,342	202,342	202,342	-	-
Bonds	7,762,844	12,000,000	400,000	1,600,000	10,000,000
	€8,385,169	€12,622,325	€1,022,325	€1,600,000	€10,000,000

27 FINANCIAL INSTRUMENTS (continued)

27.4 Fair value of financial instruments

At 31 December 2017 and 2016 the carrying amounts of cash at bank, receivables, payables, and accrued expenses approximated their fair values in view of the nature of the instruments or their short-term maturity.

27.5 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.

27.6 Categories of financial instruments

	2017	2016
	€	€
Financial assets-		
Cash and bank balances	(51,637)	220,351
Available for sale financial assets	-	100,092