

DIZZ GROUP OF COMPANIES LIMITED  
(GROUP ACCOUNTS)

REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS

For the year ended 31 December 2018

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Holding Company Information**

<b>Directors :</b>	Ms Diane Izzo Ms Daniela Bonello Ms Denise Bonello (resigned on 28 January 2019) Mr Jean Paul Muscat Mr Edwin Pisani
<b>Secretary :</b>	Ms Diane Izzo
<b>Company number :</b>	C 64435
<b>Registered office :</b>	Dizz Buildings Triq il-Harruba Santa Venera
<b>Auditors :</b>	KSi Malta 6, Villa Gauci Mdina Road Balzan Malta
<b>Banker :</b>	Bank of Valletta plc Constitution Road Mosta

## DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

### Contents

	<b>Pages</b>
Report of the Directors	1 – 3
Independent Auditors' Report	4 – 7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8 – 9
Consolidated Balance Sheet	10 – 11
Consolidated Statement of Changes in Equity	12 – 14
Consolidated Statement of Cash Flows	15 – 16
Notes to the Consolidated Financial Statements	17 – 58

## **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.

### ***Principal Activity***

Dizz Group of Companies Limited (the 'Company') together with its subsidiaries (the 'Group') is involved in the sale of fashion-related items and food and beverages. The Group includes a subsidiary which is a public limited company whose primary objective is to act as an investment company mainly in investment property. The public limited company issued €8,000,000 5% Unsecured Bonds on 28 September 2016, repayable at par on 7 October 2026.

During the year under review the Group expanded its operations with the formation of two new subsidiaries being D Shopping Malls Finance PLC and D Shopping Malls Limited. D Shopping Malls Finance PLC, being a public limited company, has issued €7,500,000 5.35% Unsecured Bonds on 1 October 2018 on Prospects MTF. These Bonds are repayable at par on 28 October 2028. The Bond proceeds were being allocated to the projects as per the Company Admission Document.

### ***Review of Business***

During the year under review the Group registered a profit before tax of € 681,483 (2017: €392,323) on revenue of €14,593,755 (2017: 16,260,745). Revenue from the fashion-related items stood at €13,425,274 (2017: €14,971,611) whilst revenue for sale of food and beverage remained stable. Despite this reduction in revenue, management's efforts at consolidating the operations of the fashion-related side of its business have ensured the generation of a healthy cash operating profit amounting to €1,517,318 (2017: €1,816,124). Moreover, the Group's decision to relocate the Calliope operation has generated an injection of a further €640,000.

On the property management side of the business, the Group was particularly active. The purchase contract on the Laguna property was concluded during the year, and on the basis of an independent architect's valuation, the Group recorded a significant uplift in value of said property. The purchase contract on the commercial property in Gzira Road, Gzira was also concluded.

The Group has, during the year, strengthened its property side of the business by acquiring long-term leases on two shopping and commercial centres located in Tigne Point, Sliema and Centre Park, Qormi. These two projects were fully funded during the year under review, and significant progress has been registered and are expected to open during the course of 2019. These two assets will consolidate the Group's efforts at diversifying its income streams by significantly growing its income from property management activities.

### ***Dividends and Reserves***

The Directors do not recommend the payment of a dividend.

### ***Financial Risk Management***

The Group's activities potentially expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

**Report of the Directors (continued)**

For the year ended 31 December 2018

**Financial Risk Management (continued)**

(a) Market Risk

The Group 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 Group has fixed and variable interest-bearing liabilities. Fixed interest-bearing liabilities consists of 5% and 5.35% Bonds issued to the general public whilst exposure to variable interest-bearing liabilities consists of bank overdrafts.

(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 Group has no significant concentrations of credit risk as the majority of revenue is from retail. Other revenue generated by the Group is covered by policies 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 consolidated financial statements are approved. The Directors concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

**Directors**

The following have served as directors of the holding company during the year under review:

Ms Diane Izzo  
Ms Daniela Bonello  
Ms Denise Bonello (resigned on 28 January 2019)  
Mr Jean Paul Muscat  
Mr Edwin Pisani

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 2018 is equal to 1,645,000 ordinary shares having a nominal value of €1 each held by Ms Diane Izzo.

**Financial Reporting Framework**

The Directors have resolved to prepare the Group'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.

**Directors' Responsibilities**

For the year ended 31 December 2018

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 Group and the holding company as at the end of the financial year and of the profit or loss of the Group and the holding 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 Group and the holding 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 Group and the holding company 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 Group and the holding company 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 Group and the holding 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.

**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



Ms Diane Izzo  
Director



Ms Daniela Bonello  
Director

29 April 2019

## DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

### Independent Auditors' Report

To the shareholders of Dizz Group of Companies Limited

### Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dizz Group of Companies Limited (the holding company), set out on pages 8 to 58, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements give a true and fair view of the financial position of the Group and the holding company as at 31 December 2018, and of its consolidated financial performance and its consolidated 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 Group 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 year. 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.

## DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

### Independent Auditors' Report (continued)

#### Key Audit Matters (continued)

##### Inventory valuation and provisions

We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of the inventory and any provisions by:

- Checking the effectiveness of key inventory controls operating across the Group.
- Attending inventory counts.
- Cross checking a sample of units from the stock lists against the stores/shelves and vice versa.
- Checking for a sample of individual products that invoiced costs have been correctly recorded.
- Reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year in relation to stock loss.

The results of our testing were satisfactory and we concur that the level of inventory valuation and provisions is appropriate.

#### Other Information

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

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 Group and the Holding Company the 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Independent Auditors' Report (continued)****Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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 GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**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, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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



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

Balzan  
Malta

29 April 2019

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2018

	Notes	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Revenue</b>	5	14,593,755	16,260,745	-	-
Cost of sales		(8,137,878)	(8,519,504)	-	-
<b>Gross profit</b>		6,455,877	7,741,241	-	-
Investment income	6	167,534	130,728	-	-
Other gains and losses	7	1,346,966	(42,000)	-	-
Marketing expenses		(88,071)	(101,026)	-	-
Administration expenses		(6,427,405)	(6,769,116)	(13,025)	(16,325)
Finance costs	8	(773,418)	(567,504)	-	-
<b>Profit/(Loss) before tax</b>	9	681,483	392,323	(13,025)	(16,325)
Income tax	11	(336,458)	(297,274)	-	-
<b>Profit/(Loss) for the year</b>		€ 345,025	€ 95,049	€ (13,025)	€ (16,325)
<b>Other comprehensive income, net of income tax</b>					
Property revaluation		-	(64,923)	-	-
Deferred tax	11	-	(41,670)	-	-
<b>Other comprehensive loss for the year, net of income tax</b>		€ -	€ (106,593)	€ -	€ -
<b>Total comprehensive income/(loss) for the year</b>		€ 345,025	€ (11,544)	€ (13,025)	€ (16,325)

**Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)**

For the year ended 31 December 2018

	Notes	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Profit/(Loss) for the year attributable to:</b>					
Owners of Company	24	345,025	95,594	(13,025)	(16,325)
Non-controlling interest	25	-	(545)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		€ 345,025	€ 95,049	€ (13,025)	€ (16,325)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year attributable to:</b>					
Owners of Company		345,025	(10,999)	(13,025)	(16,325)
Non-controlling interest		-	(545)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		€ 345,025	€ (11,544)	€ (13,025)	€ (16,325)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Earnings per share</b>	12	0.10	0.03	-	-
		<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Balance Sheet**

As at 31 December 2018

	Notes	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Assets</b>					
Property, plant and equipment	13	8,240,899	8,708,266	-	-
Investment property	14	5,506,969	3,065,669	-	-
Intangible assets	15	2,000,477	984,520	-	-
Investment in subsidiaries	16	-	-	4,137,050	3,415,850
Deferred tax assets	11	186,961	77,291	-	-
Other financial assets	17	88,000	97,000	-	-
Other assets	18	97,250	1,317,942	-	-
Trade and other receivables	20	1,453,333	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>		17,573,889	14,250,688	4,137,050	3,415,850
		<hr/>	<hr/>	<hr/>	<hr/>
Inventories	19	4,309,030	2,792,367	-	-
Trade and other receivables	20	4,742,563	1,985,697	3,479	-
Cash and cash equivalents	21	3,412,423	232,776	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>		12,464,016	5,010,840	3,479	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>		€ 30,037,905	€ 19,261,528	€ 4,140,529	€ 3,415,850
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Equity</b>					
Issued capital	22	3,290,000	3,290,000	3,290,000	3,290,000
Other reserves	23	406,316	406,316	-	-
Retained earnings	24	1,402,697	1,057,672	(51,950)	(38,925)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity</b>		5,099,013	4,753,988	3,238,050	3,251,075
		<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Balance Sheet (continued)**

As at 31 December 2018

	Notes	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Liabilities</b>					
Borrowings	26	15,230,086	7,787,125	-	-
Deferred tax liabilities	11	404,423	253,378	-	-
<b>Total non-current liabilities</b>		<b>15,634,509</b>	<b>8,040,503</b>	<b>-</b>	<b>-</b>
Borrowings	26	1,753,821	1,713,762	-	-
Trade and other payables	27	6,777,394	4,282,461	902,479	164,775
Current tax liabilities	11	773,168	470,814	-	-
<b>Total current liabilities</b>		<b>9,304,383</b>	<b>6,467,037</b>	<b>902,479</b>	<b>164,775</b>
<b>Total liabilities</b>		<b>24,938,892</b>	<b>14,507,540</b>	<b>902,479</b>	<b>164,775</b>
<b>Total equity and liabilities</b>		<b>€ 30,037,905</b>	<b>€ 19,261,528</b>	<b>€ 4,140,529</b>	<b>€ 3,415,850</b>

The consolidated financial statements set out on pages 8 to 58 were approved and authorised for issue by the Board on 29 April 2019 and were signed on its behalf by:

Ms Diane Izzo  
Director

Ms Daniela Bonello  
Director

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Changes in Equity**

For the year ended 31 December 2018

**Group**

	Issued capital €	Retained earnings €	Properties revaluation reserve €	Non- controlling interest €	Total €
<b>Changes in equity for 2017</b>					
Balance at 1 January 2017	3,290,000	831,898	512,909	57,598	4,692,405
Profit for the year	-	95,594	-	(545)	95,049
Acquisition of non-controlling interest by Group	-	(5,922)	-	5,922	-
Share of loss on disposal of subsidiary	-	71,179	-	11,855	83,034
Minority share capital of subsidiary acquired	-	-	-	(58,830)	(58,830)
Minority share capital of subsidiary disposed	-	-	-	(16,000)	(16,000)
Revaluation of property	-	64,923	(106,593)	-	(41,670)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>€ 3,290,000</b>	<b>€ 1,057,672</b>	<b>€ 406,316</b>	<b>€ -</b>	<b>€ 4,753,988</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Changes in Equity (continued)**

For the year ended 31 December 2018

**Group**

	Issued capital €	Retained earnings €	Properties revaluation reserve €	Non- controlling interest €	Total €
<b>Changes in equity for 2018</b>					
Balance at 1 January 2018	3,290,000	1,057,672	406,316	-	4,753,988
Profit for the year	-	345,025	-	-	345,025
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	<b>€ 3,290,000</b>	<b>€ 1,402,697</b>	<b>€ 406,316</b>	<b>€ -</b>	<b>€ 5,099,013</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Changes in Equity (continued)**

For the year ended 31 December 2018

**Company**

	Issued capital €	Retained earnings €	Total €
<b>Changes in equity for 2017</b>			
Balance at 1 January 2017	3,290,000	(22,600)	3,267,400
Loss for the year	-	(16,325)	(16,325)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>3,290,000</b>	<b>(38,925)</b>	<b>3,251,075</b>
	<hr/>	<hr/>	<hr/>
<b>Changes in equity for 2018</b>			
Balance at 1 January 2018	3,290,000	(38,925)	3,251,075
Loss for the year	-	(13,025)	(13,025)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	<b>€ 3,290,000</b>	<b>€ (51,950)</b>	<b>€ 3,238,050</b>
	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2018

	Note	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Cash flows from operating activities</b>					
Profit/(Loss) for the year		345,025	95,049	(13,025)	(16,325)
Adjustments for:					
Income tax expense recognised in profit or loss		336,458	297,274	-	-
Finance cost recognised in profit or loss		557,422	430,323	-	-
(Gain)/Loss on disposal of property, plant and equipment		(16,127)	27,774	-	-
Revaluation of immovable property		(645,328)	-	-	-
Depreciation of non-current assets		831,891	828,687	-	-
Amortisation of intangible assets		82,245	94,909	-	-
Disposal of investment		-	17,827	-	-
Amorisation of bond expenses		25,732	24,281	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes:		1,517,318	1,816,124	(13,025)	(16,325)
Movement in trade and other receivables		(2,353,552)	(125,726)	(3,479)	-
Movement in inventories		(1,516,663)	(782,738)	-	-
Movement in trade and other payables		(269,210)	1,155,745	16,504	-
		<hr/>	<hr/>	<hr/>	<hr/>
Cash (used in)/generated from operations		(2,622,107)	2,063,405	-	-
Interest on bank overdraft paid		(86,596)	(30,323)	-	-
Income tax paid		(12,360)	(8,239)	-	-
Interest received		110	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(2,720,953)	2,024,843	-	-
		<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Consolidated Statement of Cash Flows (continued)**

For the year ended 31 December 2018

	Note	Group		Company	
		2018 €	2017 €	2018 €	2017 €
<b>Cash flows from investing activities</b>					
Acquisition of subsidiaries		-	(58,830)	(1,200)	(58,830)
Disposal of subsidiaries		-	100	-	-
Payments for property, plant and equipment		(400,397)	(1,848,784)	-	-
Proceeds from disposal of property, plant and equipment		52,000	66,020	-	-
Payments for investment property		(922,472)	(193,004)	-	-
Deposits on investment property		-	(525,000)	-	-
Proceeds from third party		9,000	3,000	-	-
Proceeds from disposal of financial assets		-	105,348	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in investing activities		(1,261,869)	(2,632,508)	(1,200)	(58,830)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		7,590,000	-	-	-
Proceeds (to)/from related parties		(67,590)	-	1,200	75,155
Interest paid on Bonds		(400,000)	(400,000)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) financing activities		7,122,410	(400,000)	1,200	75,155
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in cash and cash equivalents		3,139,588	(1,007,665)	-	-
Cash and cash equivalents at beginning of year		(1,480,986)	(473,321)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	21	€ 1,658,602	€ (1,480,986)	€ -	€ -
		<hr/>	<hr/>	<hr/>	<hr/>

## DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

### Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

#### 1 REPORTING ENTITY AND OTHER INFORMATION

Dizz Group of Companies Limited (the Company) is a limited liability company incorporated in Malta. Its ultimate controlling parties are Ms Diane Izzo and Mr Karl Izzo. The registered office of the Company is disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 16.

These financial statements are presented in Euro.

The following is a list of retail outlets that operates within the Group:

Brand	Subsidiary	Address
Liu - Jo	DK Fashion Co. Limited	Republic Street Valletta
Liu - Jo	DK Fashion Co. Limited	Tigne Point Mall, Pjazza Tigne Sliema
Liu - Jo	DK Fashion Co. Limited	Bay Street Complex, St George's Road St Julians
Liu - Jo	DK Fashion Co. Limited	Malta International Airport, Gudja
Terranova	Dizz Limited	Bay Street Complex, St George's Road St Julians
Terranova	Dizz Limited	Tigne Point Mall, Pjazza Tigne Sliema
Terranova	Dizz Limited	Triq il-Kappilan Mifsud, St Venera
Terranova	Dizz Limited	Main Street Complex, Antoine De Paul's Square, Paola
Terranova	Dizz Limited	Dun Karm Street, Birkirkara ByPass, Iklin
Terranova	Dizz Limited	Embassy Complex, St Lucia Street Valletta
Terranova	Dizz Limited	Zabbar Road Fgura
Guess	DK G Limited	Tigne Point Mall, Pjazza Tigne Sliema
Guess	DK G Limited	Bay Street Complex, St George's Road St Julians
Guess	DK G Limited	Zabbar Road Fgura
Guess	DK G Limited	Bisazza Street, Sliema
Brooks Brothers	DK Fashion Co Limited	Republic Street, Valletta
Calliope	Dizz Limited	Bay Street Complex, St George's Road St Julians
Calliope	Dizz Limited	Tigne Point Mall, Pjazza Tigne Sliema
Paul & Shark	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema
Paul & Shark	DK V & Co Limited	St John's Square, Valletta
Harmont & Blaine	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema
Designer Outlet	D3 Fashion Limited	Bay Street Complex, St George's Road St Julians

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**1 REPORTING ENTITY AND OTHER INFORMATION (continued)**

The following is a list of retail outlets that operates within the Group (continued):

<b>Brand</b>	<b>Subsidiary</b>	<b>Address</b>
Trussardi	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema
Max & Co	DK Max Limited	Republic Street, Valletta
Elisabetta Franchi	D3 Fashion Limited	Bisazza Street, Sliema
Elisabetta Franchi	D3 Fashion Limited	South Street, Valletta
Golden Point	D'S Limited	Bay Street Complex, St George's Road St Julians
Make-up Store	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema
Caffe' Pascucci	DK Pascucci Limited	Triq il-Kappilan Mifsud, St Venera
Caffe' Pascucci	DK Pascucci Limited	Dragonara Road, Paceville, St Julians
Caffe' Pascucci	DK Pascucci Limited	Bay Street Complex, St George's Road St Julians
Caffe' Pascucci	DK Pascucci Limited	Tigne Point Mall, Pjazza Tigne Sliema

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**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 consolidated financial statements of the Group.

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<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 Consolidated 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 Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<b>Standard</b>	<b>Subject of amendment</b>	<b>Effective date</b>
<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

The directors are of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the financial statements except for IFRS 16.

**Notes to the Consolidated 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 (continued)**

**IFRS 16 Leases**

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

**Impact**

The Group has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group expects to recognise right-of-use assets of approximately € 25,607,065 on 1 January 2019 and lease liabilities of € 19,248,123 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). The net impact on the changes in equity following the above adjustments will be of € 2,311,717 applicable as at 1 January 2019. Short-term leases and low value leases will both be recognised on a straight-line basis as expense in profit or loss.

The Group expects that net profit after tax will decrease by approximately € 227,305 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately € 2,722,369, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows will decrease by approximately € 2,471,957 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

**Date of adoption by Group**

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right of use assets for property leases will be measured on transition as if the new rules had always been applied. All other right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**Notes to the Consolidated 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 and the Group'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 BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.2 BASIS OF CONSOLIDATION (continued)**

**3.2.1 Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relation assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**3.3 GOODWILL**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is amortised and is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.4 REVENUE RECOGNITION**

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

**3.4.1 Sale of fashion wear, related items and accessories**

Revenue is measured at the fair value of the consideration received. Revenue from sale of fashion wear, related items and accessories is recognised when the items are delivered to the clients in the retail shops at a point in time.

**3.4.2 Operation of Cafeterias**

Revenue is measured at the fair value of the consideration received. Revenue from sale of food and beverages is recognised at the point of sale in the various coffee shops of the Group at a point in time.

**3.4.3 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 Group 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.

**3.4.4 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.

**3.5 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.

**3.5.1 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.

**3.5.2 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.6 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.

**3.7 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.

**3.8 GOVERNMENT GRANTS**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds and the fair value of the loan based on prevailing market interest rates.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.8 GOVERNMENT GRANTS (continued)**

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

**3.9 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 Group in respect of services provided by employees up to the reporting date.

**3.10 TAXATION**

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

**3.10.1 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 Group'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 Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.10 TAXATION (continued)**

**3.10.2 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 Group 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.

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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

**3.10.3 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.11 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.

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 Group'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	1-10
Air-conditioning	16.66
Furniture and fixtures	10
Motor vehicles	20
Office equipment	25
Computer hardware and software	25
Electrical plumbing	6.99

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.11 PROPERTY, PLANT AND EQUIPMENT (continued)**

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.

**3.12 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 Group'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 Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**3.13 INTANGIBLE ASSETS**

**3.13.1 Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**3.13.2 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.14 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible 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 Group 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.

Intangible assets with an indefinite useful life 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 of disposal 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 (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) 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 (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.

**3.15 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on average cost basis. Net realisable value represent the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.16 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.17 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 Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group 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.

**Write off policy**

The Group 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.17 FINANCIAL ASSETS (continued)**

**Impairment of financial assets**

The Group 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 Group 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 Group'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 Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 Group 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.18 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 Group'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 Group 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 Group has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Group. 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 26.

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

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**3 ACCOUNTING POLICIES (continued)**

**3.18 FINANCIAL LIABILITIES (continued)**

**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.

**3.19 PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

**3.20 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 Consolidated 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 Group's accounting policies, which are described in note 3, the directors of the Group 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 (owned 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 Group's investment property portfolios and concluded that the Group'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 Group has entered into commercial property leases on its investment property portfolio. The Group 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 Group'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 Group uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the Group 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 13, 14, 15 and 16.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**5 REVENUE**

The Group derives its revenue as disclosed in note 3.4 and as per below

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Sale of fashion-related items	13,425,274	14,971,611	-	-
Sale of food and beverages	1,168,481	1,289,134	-	-
	<u>€ 14,593,755</u>	<u>€ 16,260,745</u>	<u>€ -</u>	<u>€ -</u>

**6 INVESTMENT INCOME**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Rental income from investment property	165,099	129,125	-	-
	<u>€ 165,099</u>	<u>€ 129,125</u>	<u>€ -</u>	<u>€ -</u>
Interest income: Other loans and receivables	€ 2,435	€ 1,603	€ -	€ -
	<u>€ 167,534</u>	<u>€ 130,728</u>	<u>€ -</u>	<u>€ -</u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**6 INVESTMENT INCOME (continued)**

The following is an analysis of investment income by category of income:

	<b>Group</b>	
	2018 €	2017 €
Interest from bank account	110	-
Loans and receivables	2,325	1,603
	<hr/>	<hr/>
	€ 2,435	€ 1,603
	<hr/>	<hr/>

**7 OTHER GAINS AND LOSSES**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Gain/(Loss) on disposal of property, plant and equipment	16,128	(27,784)	-	-
Gain arising on changes in fair value of investment property	645,328	-	-	-
Management fees	45,510	-	-	-
Loss arising on disposal of investment in subsidiary	-	(17,827)	-	-
Government grant	-	3,611	-	-
Other income	640,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	€ 1,346,966	€ (42,000)	€ -	€ -
	<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**8 FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Interest on bank overdraft	86,527	30,323	-	-
Interest on bonds	470,396	400,000	-	-
Bank charges	190,763	112,900	-	-
Amortisation of bond expenses	25,732	24,281	-	-
	<u>€ 773,418</u>	<u>€ 567,504</u>	<u>€ -</u>	<u>€ -</u>

**9 PROFIT/(LOSS) BEFORE TAX**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Profit/(Loss) before tax is stated after charging:				
Auditors' remuneration	54,780	66,620	1,500	2,000
Directors' remuneration	223,141	234,750	-	-
Staff costs (note 10)	1,347,372	2,189,373	-	-
Depreciation of property, plant and equipment	831,892	828,687	-	-
Amortisation of goodwill	82,245	94,909	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**10 STAFF COSTS**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Wages and salaries	1,218,596	2,025,981	-	-
Social security costs	128,776	163,392	-	-
	<u>€ 1,347,372</u>	<u>€ 2,189,373</u>	<u>€ -</u>	<u>€ -</u>

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017

The average number of employees employed by the Group were as follows:

Administration	14	14	-	-
Operational	137	149	-	-
	<u>151</u>	<u>163</u>	<u>-</u>	<u>-</u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**11 INCOME TAX**

**11.1 Income tax recognised in profit or loss**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Current tax:				
In respect of current year	295,083	349,611	-	-
Deferred tax:				
In respect of current year	41,375	(52,337)	-	-
Total income tax expense recognised in the current year	€ 336,458	€ 297,274	€ -	€ -

The income tax expense for the year can be reconciled to the accounting profit/(loss) as follows:

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Profit/(Loss) before tax	681,483	392,323	(13,025)	(16,325)
Theoretical taxation expense at 35%	238,519	137,313	(4,559)	(5,714)
Effect of expenses that are not deductible in determining taxable profit	201,912	173,496	-	-
Effect of income that is exempt from taxation	(14,033)	(12,759)	-	-
Effect of income with different tax of rate	(15,120)	(18,301)	-	-
Revaluation (gain)/loss on investment property	(69,077)	17,525	-	-
Other movements	(5,743)	-	4,559	5,714
	€ 336,458	€ 297,274	€ -	€ -

The Group has opted to pay the 15% final withholding tax on rental income.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**11 INCOME TAX (continued)**

**11.2 Deferred tax recognised in other comprehensive income**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Deferred tax:				
Property revaluations	€ -	€ 41,670	€ -	€ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**11.3 Current tax liabilities**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Income tax payable	€ 773,168	€ 470,814	€ -	€ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**11.4 Deferred tax balances**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Deferred tax assets	186,961	77,291	-	-
Deferred tax liabilities	(404,423)	(253,378)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	€ (217,462)	€ (176,087)	€ -	€ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**11 INCOME TAX (continued)**

**11.4 Deferred tax balances (continued)**

The Group's deferred tax can be analysed as follows:

	Opening balance €	Recognised in profit or loss €	Recognised in other comprehensive income €	Other €	Closing balance €
<u>2018</u>					
Property, plant and equipment	(92,220)	-	-	-	(92,220)
Investment property	(161,158)	(151,045)	-	-	(312,203)
	<u>(253,378)</u>	<u>(151,045)</u>	<u>-</u>	<u>-</u>	<u>(404,423)</u>
Tax losses	33,469	(39,033)	-	-	(5,564)
Others	73,210	119,315	-	-	192,525
Deferred tax derecognised due to the disposal of the subsidiary	(29,388)	29,388	-	-	-
	<u>€ (176,087)</u>	<u>€ (41,375)</u>	<u>€ -</u>	<u>€ -</u>	<u>€ (217,462)</u>
<u>2017</u>					
Property, plant and equipment	(50,550)	-	(41,670)	-	(92,220)
Investment property	(143,633)	(17,525)	-	-	(161,158)
	<u>(194,183)</u>	<u>(17,525)</u>	<u>(41,670)</u>	<u>-</u>	<u>(253,378)</u>
Tax losses	25,906	7,563	-	-	33,469
Others	10,911	62,299	-	-	73,210
Deferred tax derecognised due to the disposal of the subsidiary	-	-	-	(29,388)	(29,388)
	<u>€ (157,366)</u>	<u>€ 52,337</u>	<u>€ (41,670)</u>	<u>€ (29,388)</u>	<u>€ (176,087)</u>

**12 EARNINGS PER SHARE**

	2018	2017	2018	2017
Basic earnings per share	€ 0.10	€ 0.03	€ -	€ -

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**13 PROPERTY, PLANT AND EQUIPMENT – GROUP**

	Land and buildings €	Improvements to premises €	Air- conditioning €	Furniture & fittings €	Motor vehicles €	Office equipment €	Computer hardware €	Electrical plumbing €	Total €
<u>Cost/Revalued amount</u>									
At 1 January 2017	1,496,880	1,805,223	131,931	6,549,136	264,826	36,365	220,246	151,867	10,656,474
Reclassifications	189,500	-	-	-	-	-	-	-	189,500
Additions	135,033	346,058	-	1,103,308	39,835	10,784	151,485	62,281	1,848,784
Disposals	-	(6,715)	(2,790)	(208,451)	-	-	(18,237)	(7,637)	(243,830)
At 31 December 2017	1,821,413	2,144,566	129,141	7,443,993	304,661	47,149	353,494	206,511	12,450,928
At 1 January 2018	1,821,413	2,144,566	129,141	7,443,993	304,661	47,149	353,494	206,511	12,450,928
Additions	60,422	-	2,373	201,527	94,831	15,672	25,572	-	400,397
Disposals	-	-	-	(71,742)	-	-	-	-	(71,742)
At 31 December 2018	1,881,835	2,144,566	131,514	7,573,778	399,492	62,821	379,066	206,511	12,779,583
<u>Depreciation</u>									
At 1 January 2017	-	82,731	79,712	2,372,826	194,734	31,664	146,823	50,441	2,958,931
Charge for the year	-	59,092	10,571	647,770	26,565	4,241	66,032	14,416	828,687
Release on disposal	-	(67)	(465)	(35,039)	-	-	(8,876)	(509)	(44,956)
At 31 December 2017	-	141,756	89,818	2,985,557	221,299	35,905	203,979	64,348	3,742,662
At 1 January 2018	-	141,756	89,818	2,985,557	221,299	35,905	203,979	64,348	3,742,662
Charge for the year	-	59,093	10,853	632,084	45,231	7,304	63,002	14,325	831,892
Release on disposal	-	-	-	(35,870)	-	-	-	-	(35,870)
At 31 December 2018	-	200,849	100,671	3,581,771	266,530	43,209	266,981	78,673	4,538,684
<u>Carrying amounts</u>									
At 31 December 2018	€ 1,881,835	€ 1,943,717	€ 30,843	€ 3,992,007	€ 132,962	€ 19,612	€ 112,085	€ 127,838	€ 8,240,899
At 31 December 2017	€ 1,821,413	€ 2,002,810	€ 39,323	€ 4,458,436	€ 83,362	€ 11,244	€ 149,515	€ 142,163	€ 8,708,266

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**13 PROPERTY, PLANT AND EQUIPMENT (continued)****13.1 Fair value measurement of the Group's land and buildings**

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The fair value measurement of the Group's land and buildings as at 31 December 2018 and 31 December 2017 were performed by Architect and Civil Engineer Kurt Vella, an independent valuer not related to the Group. The fair value of the land and building was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

<b>Group</b>	Fair value €
<u>2018</u>	
<u>Store:</u> Carob Street – St. Venera	254,500
<u>Shop:</u> Kappilan Mifsud Street – St. Venera	567,000
<u>Office:</u> Carob Street – St Venera	189,500
<u>Land:</u> The Hub-Land – Mriehel	870,835
	<hr/>
	€ 1,881,835
<u>2017</u>	
<u>Store:</u> Carob Street – St. Venera	254,500
<u>Shop:</u> Kappilan Mifsud Street – St. Venera	567,000
<u>Office:</u> Carob Street – St Venera	189,500
<u>Land:</u> The Hub-Land – Mriehel	810,413
	<hr/>
	€ 1,821,413
	<hr/>

**13.2 Assets pledged as security**

Land and buildings with a carrying amount of approximately €1,881,835 have been pledged to secure borrowings of the Group. The land and buildings have been pledged as security for bank overdraft. The Group is not allowed to pledge these assets as security for other borrowings or to sell any of them to other entities.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**14 INVESTMENT PROPERTY**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Balance at beginning of year	3,065,669	3,062,165	-	-
Additions	1,812,380	193,004	-	-
Gain on property revaluation	628,920	-	-	-
Transfer to property, plant and equipment	-	(189,500)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at close of year	€ 5,506,969	€ 3,065,669	€ -	€ -
	<hr/>	<hr/>	<hr/>	<hr/>

**14.1 Fair value measurement of the Group's investment property**

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The fair value measurement of the Group's land and buildings as at 31 December 2018 and 31 December 2017 were performed by Architect and Civil Engineer Kurt Vella, an independent valuer not related to the Group. The valuation conforms to International Valuation Standards. The fair value of the land and building was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

<b>Group</b>	Fair value €
<u>2018</u>	
<u>Residential units situated at:</u>	
Apartment 912, Tas-Sellum – Mellieha	216,500
Apartment 2, Church Street – St Julians	262,500
Apartment Savoy Gardens – Gzira	260,000
Apartment Corner View – Swieqi	368,400
Apartment 13 Waterside Qui Si Sana Sliema	966,000
Laguna Apartment Portomaso St Julians	1,900,000
Apartment 6 Byron Court Qui Si Sana Sliema	734,000
Aquarius Maisonette & Garage – Swieqi	274,677
Property in Gzira Road, Gzira	524,892
	<hr/>
	€ 5,506,969
	<hr/>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**14 INVESTMENT PROPERTY (continued)**

**14.1 Fair value measurement of the Group's investment property (continued)**

<b>Group</b>	Fair value €
<u>2017</u>	
<u>Residential units situated at:</u>	
Apartment 912, Tas-Sellum – Mellieha	216,500
Apartment 2, Church Street – St Julians	262,500
Apartment Savoy Gardens – Gzira	260,000
Apartment Corner View – Swieqi	368,400
Qui Si Sana Penthouse	1,683,592
Aquarius Maisonette & Garage – Swieqi	274,677
	<hr/>
	€ 3,065,669
	<hr/>

**15 INTANGIBLE ASSETS**

<b>Group</b>	€
<u>Cost</u>	
At 1 January 2017	1,492,922
Additions	-
	<hr/>
At 31 December 2017	1,492,922
	<hr/>
At 1 January 2018	1,492,922
Additions (note)	1,098,202
	<hr/>
At 31 December 2018	2,591,124
	<hr/>
<u>Amortisation</u>	
At 1 January 2017	413,493
For the year	94,909
	<hr/>
At 31 December 2017	508,402
	<hr/>
At 1 January 2018	508,402
For the year	82,245
	<hr/>
At 31 December 2018	590,647
	<hr/>
<u>Carrying amount</u>	
At 31 December 2018	€ 2,000,477
	<hr/>
At 31 December 2017	€ 984,520
	<hr/>

Note – The Additions represent the monies paid for the acquisition of the lease of the Tigne Mall Project which is being developed by the Group.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**16 INVESTMENTS IN SUBSIDIARIES**

The investment in group undertakings is as follows:

	<b>Company €</b>
<u>Cost</u>	
At 1 January 2017	3,357,020
Additions	58,830
	<hr/>
At 31 December 2017	3,415,850
	<hr/>
At 1 January 2018	3,415,850
Additions	721,200
	<hr/>
At 31 December 2018	€ 4,137,050
	<hr/>

Details of the Company's subsidiaries at the end of the reporting period are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Registered office</b>	<b>Proportion of ownership interest and voting power held</b>	
			<b>2018</b>	<b>2017</b>
D3 Fashion Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
Dizz Finance PLC	Property/Finance	Dizz Buildings Carob Street St. Venera	100%	100%
Dizz Franchises Limited	Management of franchises	Dizz Buildings Carob Street St. Venera	100%	100%
Dizz Labs Limited	To operate as a cost centre	Dizz Buildings Carob Street St. Venera	100%	100%
Dizz Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
Dizz Manufacturing Limited	Production of fashion-related items	Dizz Buildings Carob Street St. Venera	100%	100%
DK Fashion Co Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**16 INVESTMENTS IN SUBSIDIARIES (continued)**

Details of the Company's subsidiaries at the end of the reporting period are as follows: (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2018	2017
DK G Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
DK Max Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
DKV & Co. Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
D's Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%
DII Fashion Limited	Operation of make up store	Dizz Buildings Carob Street St. Venera	-	100%
DK Pascucci Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	49%	49%
D Shopping Malls Ltd	Property/Finance	Dizz Buildings Carob Street St. Venera	100%	-
D Shopping Malls P.L.C	Finance	Dizz Buildings Carob Street St. Venera	100%	-

Dizz Limited has another subsidiary as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2018	2017
DK Pascucci Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	51%	51%

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**16 INVESTMENTS IN SUBSIDIARIES (continued)****Financial Support:**

During the year ended 31 December 2018, D Shopping Malls Finance P.L.C. issued € 7,500,000 5.35% unsecured bonds to the general public. These bonds were fully subscribed and listed on the Malta Stock Exchange. These funds will be used to finance the purchase of property, plant and equipment within group companies and to finance the operations of group companies. Interest rates charged within the Group on such loans will be charged accordingly.

During the year ended 31 December 2016, Dizz Finance P.L.C. issued € 8,000,000 5% unsecured bonds to the general public. These bonds were fully subscribed and listed on the Malta Stock Exchange accordingly. These funds were used to finance the purchase of property, plant and equipment within group companies and to finance the operations of group companies. Interest rates charged within the Group on such loans amounts to 5% - 11% (2017: 8%).

**17 OTHER FINANCIAL ASSETS**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
	€	€	€	€
<b>Loans and receivables</b>				
Loan from third party (note)	88,000	97,000	-	-
	<u>88,000</u>	<u>97,000</u>	<u>-</u>	<u>-</u>
	€ 88,000	€ 97,000	€ -	€ -
	<u>€ 88,000</u>	<u>€ 97,000</u>	<u>€ -</u>	<u>€ -</u>

Note:

The amounts due from third party represent dues from Dal Café Limited. The amounts due bear interest at 6% per annum and are repayable in monthly instalments of € 1,000.

**18 OTHER ASSETS**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Advance deposits on property acquisitions	€ 97,250	€ 1,317,942	€ -	€ -
	<u>€ 97,250</u>	<u>€ 1,317,942</u>	<u>€ -</u>	<u>€ -</u>

**19 INVENTORIES**

	<b>Group</b>		<b>Company</b>	
	2018	2017	2018	2017
Goods held for resale	€ 4,309,030	€ 2,792,367	€ -	€ -
	<u>€ 4,309,030</u>	<u>€ 2,792,367</u>	<u>€ -</u>	<u>€ -</u>

The inventories as at 31 December 2018 stated above do not include goods held on consignment by the Group.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**20 TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
<u>Amounts falling due after one year:</u>				
Prepayments and deferred costs (note b)	€ 1,453,333	-	-	-
<u>Amounts falling due within one year:</u>				
Trade receivables	243,358	257,337	-	-
Other receivables	1,574,630	858,058	3,479	-
Amounts due from related parties (note a)	2,079,467	203,645	-	-
Prepayments and deferred costs (note b)	845,108	666,657	-	-
	€ 4,742,563	€ 1,985,697	€ 3,479	€ -

## Notes:

- a) The amounts due from related parties includes an amount of Eur 1,792,297 from the companies forming part of DK Group of Companies Limited. As per note 30 in the financial statements, DK Group of Companies Limited is in the process of Merger with Dizz Group of Companies Limited. Amounts due from related parties are unsecured, interest free, with no fixed date of repayment.
- b) Prepayments relate to lease obligations for future periods as per the contract originally dated 28 October 2016 in relation to the project at The Point, Sliema.

**21 CASH AND CASH EQUIVALENTS**

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
Cash at hand	33,730	12,145	-	-
Cash in bank	184,583	220,631	-	-
Escrow account (note)	3,194,110	-	-	-
Bank overdrafts	(1,753,821)	(1,713,762)	-	-
	€ 1,658,602	€ (1,480,986)	€ -	€ -

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

## Note:

During the year ended under review, D Shopping Malls Finance P.L.C. issued €7,500,000, 5.35% unsecured bonds to the general public. The Escrow account balance is being held with Jesmond Mizzi Financial Advisors Limited and released according to Prospects MTF.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**22 ISSUED CAPITAL**

	<b>Company</b>	
	2018	2017
<u>Authorised</u> 3,290,000 ordinary shares of €1 each	€ 3,290,000	€ 3,290,000
<u>Called-up, issued and fully paid</u> 3,290,000 ordinary shares of €1 each	€ 3,290,000	€ 3,290,000

**23 OTHER RESERVES**

<b>Group</b>	€
<u>Properties Revaluations Reserve</u>	
At 1 January 2017/31 December 2017	406,316
At 1 January 2018	406,316
For the year	-
At 31 December 2018	€ 406,316

Note:

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

**24 RETAINED EARNINGS**

<b>Group</b>	€
At 1 January 2017	831,898
Profits for the year attributable to owners	95,594
Share of loss on acquisition of subsidiary	(5,922)
Share of profit on disposal of subsidiary	71,179
Transfer from revaluation reserve	64,923
At 31 December 2017	€ 1,057,672

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**24 RETAINED EARNINGS (continued)**

**Group (continued)**

	€
At 1 January 2018	1,057,672
Profits for the year attributable to owners	345,025
	<hr/>
At 31 December 2018	€ 1,402,697
	<hr/>

**Company**

At 1 January 2017	(22,600)
Loss for the year	(16,325)
	<hr/>
At 31 December 2017	€ (38,925)
	<hr/>
At 1 January 2018	(38,925)
Loss for the year	(13,025)
	<hr/>
At 31 December 2018	€ (51,950)
	<hr/>

**25 NON-CONTROLLING INTEREST**

At 1 January 2017	57,598
Transfer of profit on acquisition of subsidiary by Company	5,922
Share of profit on disposal of subsidiary	11,855
Minority share capital acquired by group	(58,830)
Minority share capital disposed	(16,000)
Share of losses for the year	(545)
	<hr/>
At 31 December 2017	€ -
	<hr/>
At 1 January 2018	-
Share of losses for the year	-
	<hr/>
At 31 December 2018	€ -
	<hr/>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**26 BORROWINGS**

	Group		Company	
	2018 €	2017 €	2018 €	2017 €
<u>Amounts falling due after one year:</u>				
5% Bonds 2026 (ii)	7,811,405	7,787,125	-	-
5.35% Bonds 2028 (iii)	7,418,681	-	-	-
	€ 15,230,086	€ 7,787,125	€ -	€ -
<u>Amounts falling due within one year:</u>				
Bank overdraft (i)	1,753,821	1,713,762	-	-
	€ 1,753,821	€ 1,713,762	€ -	€ -
Total borrowings	€ 16,983,907	€ 9,500,887	€ -	€ -

**26.1 Summary of borrowing arrangements**

- (i) The Group enjoys bank overdraft facilities with its bankers. These facilities are secured by general hypothecs over the Group's assets, by a special hypothecs over properties of the Group, by pledges taken over various insurance policies and by personal guarantees of the directors and shareholders. The annual interest rate on bank overdrafts range from 4.9% - 5.65%.
- (ii) During the year ended 31 December 2016, Dizz Finance P.L.C. issued €8,000,000, 5% unsecured bonds to the general public. These bonds were fully subscribed and listed on the Malta Stock Exchange. Total proceeds from these bonds amounted to €8,000,000. Total costs incurred by the Group to issue the bonds amounted to €242,811. These costs are being amortised in profit or loss over the period of the bond.
- (iii) During the year ended 31 December 2018, D Shopping Malls Finance P.L.C. issued €7,500,000, 5.35% unsecured bonds to the general public. These bonds were fully subscribed and listed on the Malta Stock Exchange. Total proceeds from these bonds amounted to €7,500,000. Total costs incurred by the Group to issue the bonds amounted to €82,770. These costs are being amortised in profit or loss over the period of the bond.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**27 TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	2018 €	2017 €	2018 €	2017 €
Amounts falling due within one year:				
Trade payables (note a)	2,356,495	2,014,109	22,804	-
Other payables (note b)	4,069,946	2,069,307	-	-
Amounts due to related parties (note c)	-	-	866,175	144,975
Accruals	350,952	199,045	13,500	19,800
	<u>€ 6,777,393</u>	<u>€ 4,282,461</u>	<u>€ 902,479</u>	<u>€ 164,775</u>

Notes:

- a) Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period of the Group is 4 months. No interest is charged on any outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.
- b) Other payables include privileged creditors amounting due to € 2,725,854 (2017: € 2,026,420). On 30 September 2018, the company entered into an obligation for the payment of Eur 1,217,000 regarding the investment in the development of Tigne Mall with Sliema Wanderers Football Club.
- c) Amounts due to related parties are unsecured, interest free, with no fixed date of repayment.

**28 FINANCIAL INSTRUMENTS****28.1 Capital Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of net debts (borrowings as detailed in notes 26 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 22 to 25).

**28.1.1 Gearing ratio**

The Group's gearing ratio at the end of the reporting period was as follows:

	<b>Group</b>	
	2018 €	2017 €
Debt (i)	16,983,907	9,500,887
Cash and bank balances	(3,412,423)	(232,776)
Net debt	<u>13,571,484</u>	<u>9,268,111</u>
Equity (ii)	<u>5,099,013</u>	<u>4,753,988</u>
Net debt to equity ratio	<u>266%</u>	<u>195%</u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**28 FINANCIAL INSTRUMENTS (continued)****28.1 Capital Management (continued)****28.1.1 Gearing ratio (continued)**

Notes:

- (i) Debt is defined as long-and short-term borrowings.
- (ii) Equity includes all capital and reserves of the Group that are managed as capital.

**28.2 Categories of financial instruments**

	<b>Group</b>	
	2018 €	2017 €
<b>Financial assets</b>		
Cash and bank balances	3,412,423	232,776
Loans and receivables	88,000	97,000
	<hr/>	<hr/>

**28.3 Financial risk management objectives**

The Group'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 Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

**28.4 Market risk****(i) Foreign exchange risk**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

**(ii) Cash flow and fair value interest rate risk**

The Group 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 Group has fixed and variable interest-bearing liabilities. Fixed interest-bearing liabilities consists of 5% and 5.35% Bonds issued to the general public whilst exposure to variable interest-bearing liabilities consists of bank overdrafts. As at the consolidated statement of financial position date, the Group's exposure to changes in interest rates on bank overdrafts 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.

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**28 FINANCIAL INSTRUMENTS (continued)****28.5 Credit risk**

Credit risk arises from credit exposure to customers and amounts held with financial institutions (notes 20 and 21). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	<b>Group</b>	
	2018	2017
	€	€
Trade and other receivables	2,116,429	1,782,052
Cash at bank and in hand	3,412,423	232,776
	<hr/>	<hr/>
	€ 5,528,852	€ 2,014,828
	<hr/>	<hr/>

With respect to amounts receivable arising from rental income, the Group assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Group manages credit limits and exposures actively in a practical manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Group has no significant concentration of credit risk arising from third parties. As at 31 December 2018 and 2017, no trade receivables were impaired.

**28.6 Liquidity risk**

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (notes 26 and 27). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

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

	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
<b>At 31 December 2018</b>						
Bank overdrafts	1,753,821	1,753,821	1,753,821	-	-	-
Trade and other payables	5,560,394	5,560,394	5,560,394	-	-	-
Bonds	15,230,086	22,712,500	-	801,250	3,205,000	18,706,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	€22,544,301	€30,026,715	€7,314,215	€801,250	€3,205,000	€18,706,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**28 FINANCIAL INSTRUMENTS (continued)****28.6 Liquidity risk (continued)**

	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
<b>At 31 December 2017</b>						
Bank overdrafts	1,713,762	1,713,762	1,713,762	-	-	-
Trade and other payables	4,282,461	4,282,461	4,282,461	-	-	-
Bonds	7,787,125	11,600,000	-	400,000	1,600,000	9,600,000
	<u>€13,783,348</u>	<u>€17,596,223</u>	<u>€5,996,223</u>	<u>€400,000</u>	<u>€1,600,000</u>	<u>€9,600,000</u>

The Group continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

**29 RELATED PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

**29.1 Compensation of key management personnel**

The remuneration of directors and other members of key management personnel during the year was as follows:

	<b>Group</b>	
	2018	2017
Directors' remuneration	€ 223,141	€ 234,750
	<u>                    </u>	<u>                    </u>

**29.2 (Loans to)/loans from related parties**

	<b>Group</b>	
	2018	2017
Related parties	€ 2,079,467	€ 203,645
	<u>                    </u>	<u>                    </u>

	<b>Company</b>	
	2018	2017
Related parties	€ (866,175)	€ (144,975)
	<u>                    </u>	<u>                    </u>

**Notes to the Consolidated Financial Statements (continued)**

For the year ended 31 December 2018

**30 MERGER WITH DK GROUP OF COMPANIES LIMITED**

On 10 July 2018 the Company entered into a Draft Terms of Agreement with DK Group of Companies Limited whereby the two Companies will be merged. The shareholders of both Companies are Ms Diane Izzo and Mr Karl Izzo and the necessary documentation was submitted to the Registrar of Companies for the necessary procedures to be completed. Once the process is completed, the Authorised and Issued share capital of Dizz Group of Companies Limited will be altered accordingly.

**31 COMMITMENTS FOR EXPENDITURE**

	<b>Group</b>	
	2018	2017
Commitments for the acquisition of property, plant and equipment	€ 225,000	€ 2,507,291
	<hr/>	<hr/>

During the year under review the Group had contracted capital commitments with regards to purchase of immovable property for the aggregate amount of € 225,000. During the year under review the Group had € 97,250 (2017 – € 1,317,942) as deposits paid on account on such immovable property.

**32 CONTINGENT LIABILITIES**

At year end, the Group had bank guarantees for € 2,198,830 in favour of third parties. Moreover the Group also has a letter of credit totaling € 518,700 (2017: € 450,000) in favour of third parties. These guarantees have arisen in the ordinary course of the Group's business and no material losses are anticipated.

**33 APPROVAL OF THE FINANCIAL STATEMENTS**

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