FOODS
FINANCE PLC

Approval of Financial Statements

Date of Announcement 27th April 2021

The following is a company announcement issued by D Foods Finance p.l.c. (C94912), hereinafter the "Company" of Dizz Buildings, Carob Street, Santa Venera, Malta, pursuant to the Listing Rules issued by the Listing Authority regulating the Institutional Financial Securities Market:

QUOTE

The Board of Directors has approved the Company's Financial Statements for the year ended 31st December 2020.

The said financial statements are attached herewith.

UNQUOTE

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Diane Izzo
Company Secretary

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D FOODS FINANCE P.L.C.

ANNUAL REPORT
For the period 21 May 2020 to 31 December 2020

Company Registration No: C 94912

D FOODS FINANCE P.L.C.

Company Information

Directors :	Ms Diane Izzo Mr Karl Izzo
Secretary :	Ms Diane Izzo
Company number :	C 94912
Registered office :	Dizz Buildings, Carob Street, St. Venera
Auditors :	KSi Malta 6, Villa Gauci Mdina Road Balzan BZN 9031

D FOODS FINANCE P.L.C.

Contents

Report of the Directors
For the period 21 May 2020 to 31 December 2020

The directors present their report and the audited financial statements for the period 21 May 2020 to 31 December 2020.

Incorporation

D Foods Finance P.L.C was incorporated on 21 May 2020. The Company is a fully owned subsidiary of Dizz Group of Companies Limited.

Principal Activity

The principal activity of D Foods Finance P.L.C is to carry on business of a holding company of the food and beverage companies within the group. The activities of the Company and its subsidiaries are expected to remain consistent for the foreseeable future.

Review of Business

The Company registered a profit before taxation of € 1,092. Revenue during the period was primarily attributable to management fees of €49,233. It is envisaged that the income stream of the Company will remain relatively constant in accordance with the terms of agreement drawn up with the Guarantor.

Principal Risks and Uncertainties

The Company is mainly dependent on the business prospects of its subsidiaries, and consequently, the operating results of the subsidiaries have a direct effect on the Company's financial position and performance.

The Company's main assets is the investment in subsidiaries. Therefore, the ability of these subsidiaries to distribute dividends to the Company will depend on their respective cash flows and earnings.

The food and beverage industry is marked by strong and increasing competition and many of the Group's current and potential competitors may have longer operating histories, bigger name recognition, larger customer bases and greater financial and other resources than the companies within the Group. Thus, the principal risks faced by the Group are loss of market share as a result of other participants entering the market, obsolescence of inventories and negative developments in the economic environment including the pandemic, which has significantly disrupted the catering industry principally due to closure of outlets enforced by the government and social distancing measures introduced in an effort to curb the pandemic.

The Group will continue to monitor developments in sales, customer preferences and the market in general, introducing new product offerings with the aim of returning the Group to sustainable profitability.

Report of the Directors (continued)
For the period 21 May 2020 to 31 December 2020

Dividends and Reserves

The directors do not recommend the payment of a dividend.

Future Developments

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

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 18 of these financial statements.

Events Subsequent to the Statement of Financial Position Date

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

Directors

The following have served as directors of the Company during the period under review:

Ms Diane Izzo
Mr Karl Izzo

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

Report of the Directors (continued)
For the period 21 May 2020 to 31 December 2020

Statement of Directors' Responsibilities

The Companies Act (Cap. 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;

- select suitable accounting policies and apply them consistently from one accounting period to another;

- make judgements and estimates that are reasonable and prudent;

- account for income and charges relating to the accounting period on accruals basis; and

- value separately the components of asset and liability items on a prudent basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Going Concern Statement

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

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

Mr Karl Izzo
Director

27 April 2021

Corporate Governance - Statement of Compliance
For the period 21 May 2020 to 31 December 2020

Introduction

The WSM Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the 'Code'). Although the adoption of the Code is not obligatory, Listed Companies are required to include in their Annual Report, a Directors' Statement of compliance which deals with the extent to which the Company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

The Board of Directors (the 'Board') of D Foods Finance P.L.C. ('the Company') believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. The Company has issued Notes to the public and has no employees, accordingly some of the provisions are not applicable whilst others are applicable to a limited extent.

In this context it is relevant to note that: (a) the Company is a subsidiary of Dizz Group of Companies Limited, whereby the latter is the guarantor of the €8 million 5% unsecured bond issued by Dizz Finance P.L.C.. Dizz Finance P.L.C. is a company listed on the Malta Stock Exchange which has a strong corporate governance in place; (b) the terms of reference of the audit committee of Dizz Finance P.L.C. also include Dizz Group of Companies Limited and all its underlying subsidiaries. Consequently, the audit committee of Dizz Finance P.L.C., through its oversight of the Dizz Group of Companies Limited, has an overseeing responsibility of the Company.

The Board

The Board of Directors is responsible for devising a strategy, setting policies and the management of the Company. Directors, individually and collectively, are of appropriate calibre, with the necessary skill and experience to assist them in providing leadership, integrity, and judgement in directing the Company towards the maximisation of shareholder value. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for making relevant public announcements, decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Following the issue of debt securities on 3 August 2020, the Board has monitored the performance of the Company. As Company's board consists solely of two executive directors, the audit committee set up at Dizz Finance P.L.C. which consist of three non-executive directors, oversees the Company on an ongoing basis.

Chairman and Chief Executive Officer

Due to the size structure of the Company and nature of its operations, the Company does not employ a Chief Executive Officer (CEO). This function is taken by its director, Diane Izzo.

The day-to-day running of the business is vested with Diane Izzo.

The Chairman is responsible to lead the Board and sets its agenda.

Corporate Governance - Statement of Compliance (continued)
For the period 21 May 2020 to 31 December 2020

Complement of the Board

As at 31 December 2020, the Board consists of two executive directors as follows:

Diane Izzo – Executive Director / Chairperson
Karl Izzo – Executive Director

The Directors of the Company shall be appointed by the shareholders in the annual general meeting of the Company. Save for the provisions included in Article 55.3 of the Articles of Association of the Company, an election of Directors shall take place every year.

Internal Controls

The Board is responsible for the internal control system of the Company and for reviewing its effectiveness. The internal control system is designed to achieve business objectives and to manage the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses and fraud.

Systems and procedures are in place to control, monitor, report and assess risks and their financial implications. Management accounts, budgets and strategic plans are prepared on a regular basis and are presented to the Board to monitor the performance of the Company on an on-going basis.

Composition of the Board and Committees

Directors meet regularly, mainly to review the financial performance of the Company and its subsidiaries, and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. The directors have access to independent professional advice at the Company's expense should they so require.

The Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A Director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has a material interest.

Composition of the Board and Committees

The Board formally met one time during the period under review. The number of board members attended by directors for the period ended 31 December 2020 is as follows:

	Meetings
Diane Izzo	1
Karl Izzo	1

Committees

The Directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the Board itself. However, going forward, the Board shall on an annual basis undertake a review of the remuneration paid to the Directors and shall carry out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the Directors at the annual general meeting.

Corporate Governance - Statement of Compliance (continued)
For the period 21 May 2020 to 31 December 2020

Audit Committee

As the Issuer's shareholders are private stakeholders, and also given the size, nature and (lack of) complexity of the Issuer's business, the Directors have determined that it is not necessary, appropriate or feasible to establish an audit committee. The functions normally assigned to an audit committee were performed by the Board of Directors as a whole. Furthermore, as previously stated, the terms of reference of the audit committee of Dizz Finance P.L.C. also include Dizz Group of Companies Limited and all its underlying subsidiaries. Consequently, the audit committee of Dizz Finance P.L.C, through its oversight of the Dizz Group of Companies Limited, had an oversight responsibility of the Company.

Remuneration Statement

The Directors have not received remuneration during the year 31 December 2020. Going forward, it is the shareholders of the Company in General Meeting who shall determine the maximum annual aggregate remuneration of the Directors. The remuneration of Directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

None of the Directors is employed or has a service contract with the Company.

Relations with Bondholders and the Market

The Company prepares annual financial statements. Following the listing of the Company's €10 million Secured Convertible Notes Programme on the Institutional Financial Securities Market (IFSM) of the Malta Stock Exchange in August 2020 of which €3 million have been subscribed to as at year end, the Company shall publish annual financial statements and, when required, company announcements.

Conflicts of Interest

The Directors are aware of their responsibility to always act in the interest of the Company and its shareholders as a whole, irrespective of who appointed them to the Board. In accordance with the Company's Articles of Association, the Directors shall be obliged to disclose their interest in a contract, arrangement or proposal with the Company in accordance with Article 145 of the Act and a Director shall not vote at a meeting of Directors in respect of any contract, arrangement or proposal in which he has a material interest, whether direct or indirect.

During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the Directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company. Both Diane Izzo and Karl Izzo have a direct beneficial interest in the share capital of the Company, given that they are the ultimate beneficial owners of the Dizz Group. Consequently, they are susceptible to conflicts arising between the potentially diverging interests of themselves as shareholders and the interests of the Company.

Corporate Social Responsibility

The Directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of the local community and society at large.

Signed on behalf of the Board of Directors on 27 April 2021 by:

Ms Diane Izzo Director	Mr Karl Izzo Director

KSi Malta

D FOODS FINANCE P.L.C.

Independent Auditors' Report

To the shareholders of D Foods Finance P.L.C.

Report on the Audit of the Financial Statements

We have audited the financial statements of D Foods Finance P.L.C. (the Company), set out on pages 13 to 37, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the fact that the Company's subsidiaries operate in the catering industry. Due to the COVID-19 outbreak, this industry was negatively affected and had to deal with government-imposed restrictions on all operations. The Company's principal activity is to act as an investment vehicle, holding the shares of its subsidiaries including DK Pascucci Limited and DCaffe Ltd. It is therefore itself dependent on the financial performance of its subsidiary companies and their ability to operate as a going concern.

We draw attention to Note 3.1.1, Going Concern, which describes the Directors' assessment of the impact of COVID-19 on the Company's results and financial position. This matter is considered to be of fundamental importance to the understanding of the financial statements, due to its nature and significance. Our opinion is not modified in respect of this matter.

Independent Auditors' Report (continued)

Key Audit Matters

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

Note

As at 31 December 2020 the Company held € 3,000,000 in Secured Convertible Notes having a coupon rate of 3% to a private investor through WSM Listing Rules issued by the Listing Authority of the Malta Financial Services Authority.

During the audit process we ascertained ourselves that the proceeds from the Notes were being utilised as per the admission document. The results of our testing were satisfactorily, and we concur that the Notes' proceeds and usage are disclosed in the audited accounts accordingly.

Amounts due from Related Companies

As at 31 December 2020 the Company held € 151,852 as receivables from related companies. During the audit process we ascertained ourselves that the related companies' audited financial statements disclose such amounts due to D Foods Finance P.L.C. The results of our testing were satisfactorily and we concur that the amounts due from related companies are disclosed in the audited accounts of each individual company.

Other Information

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

Report on Corporate Governance

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

Report on Corporate Governance (continued)

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

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

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

In our opinion, the Statement of Compliance set out on pages 5 to 7 has been properly prepared in accordance with the requirements of the WSM Listing Rules issued by the Listing Authority of the Malta Financial Services Authority

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

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the 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 Companies Act (Cap. 386).

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

Responsibilities of the Directors

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

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

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act (Cap. 386) enacted in Malta to report to you if, in our opinion:

- The information given in the report of the directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

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

Balzan
Malta

27 April 2021

Statement of Comprehensive Income
For the period 21 May 2020 to 31 December 2020

	Notes	2020 (7 months) €
Finance cost	5	(42,783)
Net interest loss		(42,783)
Other Income	6	49,233
Administrative expenses		(5,358)
Profit before tax	4	1,092
Income tax	7	-
Total comprehensive income for the period		1,092
Earnings per share	15	-

The notes on pages 17 to 37 are an integral part of these financial statements.

D FOODS FINANCE P.L.C.

Statement of Financial Position
As at 31 December 2020

	Notes	2020 €
Assets		
Investment in subsidiaries	8	6,141,761
Total non-current assets		6,141,761
Trade and other receivables	9	158,962
Cash and cash equivalents	16	51,198
Total current assets		210,160
Total assets		6,351,921
Equity		
Issued capital	10	3,279,286
Retained earnings	11	1,092
Total equity		3,280,378
Liabilities		
Borrowings	12	2,950,052
Total non-current liabilities		2,950,052
Trade and other payables	14	121,491
Total current liabilities		121,491
Total liabilities		3,071,543
Total equity and liabilities		6,351,921

The financial statements on pages 13 to 37 were approved and authorised for issue by the Board on 27 April 2021 and were signed on its behalf by:

Ms Diane Izzo
Director

Mr Karl Izzo
Director

Statement of Changes in Equity
For the period 21 May 2020 to 31 December 2020

	Issued capital €	Retained earnings €	Total €
Changes in equity for the period			
Issue of share capital	3,279,286	-	3,279,286
Comprehensive income			
Profit for the period	-	1,092	1,092
Balance at 31 December 2020	3,279,286	1,092	3,280,378

Statement of Cash Flows
For the period 21 May 2020 to 31 December 2020

	Note	2020 (7 months) €
Cash flows from operating activities		
Profit before tax		1,092
Adjustments for:		
Amortisation of note issue costs		5,550
Note interest payable		37,233
Operating profit before working capital changes:		43,875
Movement in receivables		(7,110)
Movement in payables		30,616
Cash generated from operations		67,381
Net cash generated from operating activities		67,381
Cash flows from financing activities		
Proceeds on issue of shares		1,200
Net proceeds from issue of notes		2,944,502
Advances to related companies		(98,210)
Net cash generated from financing activities		2,847,492
Cash flows from investing activities		
Investment in subsidiaries		(2,906,494)
Proceeds from disposal of shares in subsidiary		42,819
Net cash used in investing activities		(2,863,675)
Net movement in cash and cash equivalents		51,198
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	16	51,198

1 REPORTING ENTITY AND OTHER INFORMATION

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

1.1 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 27 April 2021.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Amendments and interpretations applicable for the first time in 2020 shown hereunder have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Company.

Standard	Subject of amendment	Effective date
IFRS 3 Business Combinations	Amendments to clarify the definition of a business	1 January 2020
IFRS 7 Financial Instruments-Disclosures	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 9 Financial Instruments	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 16 Leases	Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 June 2020
IAS 1 Presentation of Financial statements	Amendments regarding the definition of material	1 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of material	1 January 2020
IAS 39 Financial Instruments: Recognition and Measurement	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IAS 41 Agriculture	Amendments resulting from *Annual Improvements to IFRS Standards 2019–2020* (taxation in fair value measurements)	1 January 2020

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

Standards issued but not yet effective

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

Standard	Subject of amendment	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards	Amendments resulting from *Annual Improvements to IFRS Standards 2018–2020* (subsidiary as a first-time adopter)	1 January 2022
IFRS 3 Business Combinations	Amendments updating a reference to the *Conceptual Framework*	1 January 2022
IFRS 4 Insurance Contracts	Amendments regarding replacement issues in the context of the IBOR reform Amendments regarding the expiry date of the deferral approach	1 January 2021 1 January 2023
IFRS 7 Financial Instruments: Disclosures	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
IFRS 9 Financial Instruments	Amendments regarding pre-replacement issues in the context of the IBOR reform Amendments resulting from *Annual Improvements to IFRS Standards 2018–2020* (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2021 1 January 2022
IFRS 16 Leases	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
IFRS 17 Insurance Contracts	Original issue Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023 1 January 2023
IAS 1 Presentation of Financial statements	Amendments regarding the classification of liabilities Amendment to defer the effective date of the January 2020 amendments	1 January 2023 1 January 2023

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

Standards issued but not yet effective (continued)

IAS 16 Property, Plant and Equipment	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 39 Financial Instruments: Recognition and Measurement	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021

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

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 (Cap. 386). The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

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

3.1.1 GOING CONCERN

The Company's principal activity is to act as an investment vehicle, holding shares in companies with the aim to generate a return on its investment. The Company's assets are almost entirely composed of shares in subsidiary companies. Since the Company does not carry out any trading activities itself, it is economically dependent on the business prospects of its subsidiaries, whose core operations are operating catering establishments or food related activities. In preparing these financial statements, given that the Company is economically dependent on the operations carried out by the group companies, the directors of the Company have taken into consideration the potential impact of the outbreak of COVID-19 on D Foods Finance P.L.C as well as the wider Group.

Due to the COVID-19 outbreak, all the operations of D Foods Finance P.L.C and its subsidiaries (hereinafter referred to as the "Group") were negatively affected and had to deal with government-imposed restrictions on all operations, which measures were introduced in an effort to curb the pandemic. In light of the situation, the Government of Malta announced several support measures to mitigate the negative effects brought about by the pandemic. The Group applied for the COVID-19 Wage Supplement Scheme, the Electricity Refund Scheme and the Rental Refund Scheme made available by Malta Enterprise.

The Group shall continue to closely monitor the situation and constantly assess the impact of the COVID-19 pandemic on its operations. The Group acknowledges that there is still a high degree of uncertainty, however the directors will continue to take appropriate actions, as they have already done, and consider the Group and the Company resilient enough to be able to sustain the current conditions.

Taking into consideration all of the above factors and circumstances, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

3 ACCOUNTING POLICIES (continued)

3.2 REVENUE RECOGNITION

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

3.2.1 Interest income

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

3.3 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.

3.4 TAXATION

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

3.4.1 Current Tax

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

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

3 ACCOUNTING POLICIES (continued)

3.4 TAXATION (continued)

3.4.2 Deferred Tax

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

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

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

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

3.4.3 Current and deferred tax for the year

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

3 ACCOUNTING POLICIES (continued)

3.5 IMPAIRMENT

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

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

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

3.6 INVESTMENT IN SUBSIDIARY

A subsidiary is an entity which is controlled by the Company. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. An investment in a subsidiary is initially measured at cost. After initial recognition, the investment in subsidiary is kept at cost. Under the cost method, the investment is measured at cost less accumulated impairment losses.

3.7 FINANCIAL INSTRUMENTS

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

3.8 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.

3 ACCOUNTING POLICIES (continued)

3.8 FINANCIAL ASSETS (continued)

Classification of financial assets

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Write off policy

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

3 ACCOUNTING POLICIES (continued)

3.8 FINANCIAL ASSETS (continued)

Impairment of financial assets

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

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3 ACCOUNTING POLICIES (continued)

3.9 FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

Loans and borrowings

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 14.

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

3 ACCOUNTING POLICIES (continued)

3.9 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.

3.10 PROVISIONS

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

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

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

3.11 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.

4 PROFIT BEFORE TAX

	2020 (7 months) €
Operating profit is stated after charging:	
Auditors' remuneration	1,500

5 FINANCE COSTS

	2020 (7 months) €
Interest payable on notes	37,233
Amortisation of note expenses (note 13)	5,550
	42,783

6 OTHER INCOME

	2020 (7 months) €
Management fees	49,233

7 INCOME TAX

The tax expense for the period consists of:

	2020 (7 months) €
Malta Income Tax at 35% on taxable income for the period	-
Deferred tax expense in respect of the period	-

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

	2020 (7 months) €
Profit before tax	1,092
Theoretical tax at 35%	382
Tax effect of expenses not subject to tax:	
Amortisation of note	1,943
Disallowable expenses	13,031
Group gross relief	(15,356)
Income tax expense recognised in profit or loss	-

8 INVESTMENT IN SUBSIDIARIES

Cost	
At 21 May 2020	-
Additions	6,184,580
Disposals	(42,819)
At 31 December 2020	6,141,761

8 INVESTMENT IN SUBSIDIARIES (continued)

Details of the Company's subsidiary is as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held
DK Pascucci Limited	Sale of food and beverage	Dizz Building, Carob Street, Santa Venera	100%
D Kitchen Lab Limited	Sale of food and beverage	Dizz Building, Carob Street, Santa Venera	100%
DCaffe Ltd.	Sale of food and beverage	Dizz Building, Carob Street, Santa Venera	100%

During the period under review, the Company invested in the shares of DK Pascucci Limited, DCaffe Holding Limited, D Kitchen Lab Limited and Xilema Limited for a total consideration of € 6,184,580 that was financed in part through an issue of shares and in part through the issue of a note on the IFSM market of the Malta Stock Exchange. On 28 December 2020, the shares in Xilema Limited were transferred to DK Pascucci Limited at book value.

9 TRADE AND OTHER RECEIVABLES

	2020 €
Other receivables	7,110
Amounts due from related companies (note)	151,852
	158,962

Note-

Amounts due from related companies are unsecured, interest free and repayable on demand. Amount includes a set-off between amounts due to Dizz Group of Companies Ltd of EUR 2,906,494 and amounts due from the latter's subsidiary Dizz Limited of EUR 2,984,070. The balance also includes an amount due from DK Pascucci Limited of EUR 22,883 and amount due from related parties included in the creditors of EUR 51,393.

10 ISSUED CAPITAL

	2020
	€
Authorised	
10,000,000 ordinary shares of €1 each	10,000,000
Called-up, issued and fully paid	
3,279,286 ordinary shares of €1 each	3,279,286

11 RETAINED EARNINGS

The profit and loss account represents accumulated retained profits.

12 BORROWINGS

	2020
	€
Amounts falling after more than five years:	
3% Note 2030	2,950,052
Total borrowings	2,950,052

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

	2020
At fixed rates	3%

13 NOTES

	2020
	€
Proceeds from 3% Notes 2030	3,000,000
Gross amount of Note issue costs	55,498
Amortisation of gross amount of note issue costs:	
At inception	-
Amortisation for the period	5,550
Accumulated amortisation at end of period	5,550
Amortised cost and closing carrying amount	2,950,052

On 21 July 2020, the company issued a base prospectus for a Euro 10,000,000 3% Secured Convertible Notes Programme for an issue price of Euro 100,000 per note. The notes were admitted to trading on the Institutional Financial Securities Market (IFSM) of the Malta Stock Exchange on 3 August 2020.

Upon issue, 30 Notes for the value of Eur 3,000,000 have been subscribed to as per final terms dated 21 July 2020. The maturity date of the convertible notes is 2 August 2030 unless converted to equity beforehand.

The net proceeds from the Eur3,000,000 convertible notes issued is to be used by the issuer for the acquisition of shares in subsidiaries as set out in the prospectus.

14 TRADE AND OTHER PAYABLES

	2020
	€
Amounts falling due within one year:	
Trade payables	28,615
Accruals	39,234
Amounts due to related companies (note)	53,642
	121,491

Note-

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

15 EARNINGS PER SHARE

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

	2020 €
Profit for the period	1,092
Weighted number of ordinary shares	3,279,286
Earnings per share	-

16 CASH AND CASH EQUIVALENTS

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

	2020 €
Bank balance	51,198

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

17 RELATED COMPANIES

17.1 Parent Company

The Company is a wholly-owned subsidiary of Dizz Group of Companies Limited. The registered office of the ultimate parent Company is situated at Dizz Buildings, Triq il- Harruba, Santa Venera, Malta.

It is the responsibility of Dizz Group of Companies Limited to prepare consolidated financial statements of the Group.

17.2 Directors' transactions

The share capital of the Company is subscribed as to 1 share held by Diane Izzo and 3,279,285 shares held by Dizz Group of Companies Limited. Key management personnel have control over the financial and operating policies of the Company.

Balances with related companies are set out in notes 9 and 14 to these financial statements. Other transactions with related companies are included in the statement of cash flows.

17 RELATED COMPANIES (continued)

17.3 Related party transactions and balances

	Note	Transaction value period ended 31 December 2020 €	Balance outstanding as at 31 December 2020 €
Financing transaction			
Amount due from related companies	17.4	151,852	151,852
Amount due to related companies	17.4	53,642	53,642

17.4 The amounts from/ (due to) related companies are unsecured, interest-free and repayable on demand (see notes 9 and 14).

18 FINANCIAL INSTRUMENTS

The Company's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk); credit risk; and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial period.

18.1 Market risk

Cash flow and fair value interest rate risk

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

As at the reporting date, the Company has fixed interest bearing liabilities. Fixed interest-bearing liabilities consist of 3% Convertible Notes.

18 FINANCIAL INSTRUMENTS (continued)

18.2 Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables and committed transactions (notes 9).

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount. The Company does not hold any collateral as security in this respect. The majority of the Company's income streams are derived from related companies and some of the directors have control over the related company's operations.

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

	2020
	€
Amounts due from related companies	151,852
Other receivables	7,110
	158,962

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

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

18.3 Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (notes 12 and 14). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the notes are due for repayment.

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

18 FINANCIAL INSTRUMENTS (continued)

18.3 Liquidity risk (continued)

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

	Carrying amounts €	Contractual cash flows €	1-12 months €	1-5 years €	After 5 years €
At 31 December 2020					
Trade and other payable:	28,615	28,615	28,615	-	-
Related party companies	53,642	53,642	53,642		
Notes	2,950,052	3,900,000	90,000	360,000	3,450,000
	3,032,039	3,982,257	172,257	360,000	3,450,000

18.4 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Company Admission Document issued in relation to the 3% Notes.

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

18 FINANCIAL INSTRUMENTS (continued)

18.4.1 Gearing ratio

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

	2020 €
Debt (i)	2,950,052
Net debt	2,950,052
Equity (ii)	3,280,378
Net debt to equity ratio	47%

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.