

DIZZ FINANCE P.L.C.
ANNUAL REPORT
For the year ended 31 December 2020

Company registration no: C 71189

DIZZ FINANCE P.L.C.

Company Information

Directors :
Ms Diane Izzo
Mr Karl Izzo
Mr Edwin Pisani
Mr Joseph C Schembri
Mr Francis Cassar (resigned on 5 November 2020)
Mr Francis Gouder (resigned on 30 March 2020)
Mr Nigel Scerri (appointed on 19 June 2020)
Mr Ivan Vella (appointed on 13 April 2020; resigned on 22 June 2020)

Secretary : Dr Ian Vella Galea

Company number : C 71189

Registered office :
Dizz Buildings
Carob Street
Santa Venera

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

DIZZ FINANCE P.L.C.

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DIZZ FINANCE P.L.C.

Report of the Directors

For the year ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Incorporation

The Company was incorporated on 24 June 2015.

Principal Activity

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

Review of Business

The COVID-19 pandemic has disrupted business on a global level. Despite this, the pandemic did not have a direct impact on the business of the Company, given that the Company is a finance company and generates its revenue in line with the loan agreement entered with related parties on 30 November 2016.

The Company registered a profit before tax of € 1,166,439 (2019: € 366,983) which is based on finance interest amounting to € 663,857 (2019: € 664,328) and rental income amounting to € 171,191 (2019: € 288,596). The company recognised a revaluation gain on the value of investment property of € 853,031.

Principal Risks and Uncertainties

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

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

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

The Group primarily operates retail and food & beverage outlets across Malta. The retail industry as well as the catering 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 principle 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 retail industry principally due to closure of retail outlets enforced by the government and social distancing measures introduced in an effort to curb the pandemic.

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2020

Principal Risks and Uncertainties (continued)

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

The directors monitor closely the impact of events and the ability of the related parties to honour their financial commitments. To this regard, the directors are of the view that the amount receivable from the related parties by the Company is recoverable.

Dividends and Reserves

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

Future Developments

No changes are expected in the operating activity of the company in the coming months.

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 24 of the financial statements.

Events Subsequent to the Statement of Financial Position Date

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

Directors

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

Ms Diane Izzo	
Mr Karl Izzo	
Mr Edwin Pisani	
Mr Joseph C Schembri	
Mr Francis Gouder	(resigned on 30 March 2020)
Mr Ivan Vella	(appointed on 13 April 2020; resigned on 22 June 2020)
Mr Francis Cassar	(resigned on 5 November 2020)
Mr Nigel Scerri	(appointed on 19 June 2020)

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

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2020

Directors' Interest

The Directors' beneficial interest in the shares of the Company at 31 December 2020 is limited to 1 ordinary share having a nominal value of €1 each held by Ms Diane Izzo. However, the Directors Diane Izzo and Karl Izzo are the Ultimate Beneficial Owners of the Group.

Statement of Directors' Responsibilities Pursuant to Listing Rule 5.68

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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.

DIZZ FINANCE P.L.C.

Report of the Directors (continued)

For the year ended 31 December 2020

Going Concern Statement Pursuant to Listing Rule 5.62

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

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 Joseph C Schembri
Director

27 April 2021

Corporate Governance - Statement of Compliance

For the year ended 31 December 2020

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

Part 1: Compliance with the Code

The Board of Directors (the "**Board**") of 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. In this context it is relevant to note that the Company has issued bonds to the public and has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle 1 and 4: The Board

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

Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company. The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 8 hereunder.

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities. All directors have access to independent professional advice, at the expense of the Company, should they so require.

Principle 3: Composition of the Board

As at the date of this report, the Board is composed of three executive and three non-executive directors. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2020

Part 1: Compliance with the Code (continued)

Principle 3: Composition of the Board (continued)

The Board is composed of:

Ms. Diane Izzo – Executive Director and Chairperson
Mr. Karl Izzo – Executive Director
Mr. Edwin Pisani – Executive Director
Mr. Joseph C Schembri – Non-Executive Director
Mr. Francis Cassar – Non-Executive Director (resigned 5th November 2020)
Mr. Ivan Vella – Non-Executive Director (appointed 13th April; resigned 22nd June 2020)
Mr. Nigel Scerri – Non-Executive Director (appointed 19th June 2020)
Dr. Kevin Deguara – Non-Executive Director (appointed 19th November 2020)
Dr. Ian Vella Galea acts as secretary to the Board of Directors

The non-executive directors are considered to be independent within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

Directors are appointed during the Company's Annual General Meeting for a period of one year, at the end of which term they may stand again for re-election, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Principle 4: The Responsibilities of the Board

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

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

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2020

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings held during 2020 were attended as follows:

<i>Members</i>	<i>Meetings attended out of total held during tenure</i>
Ms Diane Izzo	7 out of 7
Mr Karl Izzo	7 out of 7
Mr Edwin Pisani	7 out of 7
Mr Francis Gouder	1 out of 2
Mr Francis Cassar	6 out of 6
Mr Joseph C Schembri	7 out of 7
Mr. Nigel Scerri	3 out of 3
Dr. Kevin Deguara	1 out of 1
Mr. Ivan Vella	0 out of 3

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

Principle 6: Information and Professional Development

Each director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation, and has been provided with the Code of Dealing required in terms of Listing Rule 5.106 and training in respect of their obligations arising thereunder. The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

Principle 8: Committees

Audit Committee

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

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

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2020

Part 1: Compliance with the Code (continued)

Principle 8: Committees (continued)

Audit Committee (continued)

During the year under review, the Audit Committee was composed of Mr. Joseph C. Schembri (independent non-executive director and Chairman of the Audit Committee), Mr. Francis Cassar (independent non-executive director) (up to 5 November 2020), Mr. Francis Gouder (independent non-executive director) (up to 30 March 2020), Mr Ivan Vella (independent non-executive director appointed on 13 April and resigned on 22 June 2020), Mr. Nigel Scerri (independent non-executive director as from 19 June 2020) and Dr. Kevin Deguara (independent non-executive director as from 19 November 2020).

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

Internal Controls

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud. Authority to manage the business of the Group, including the Company is delegated to the Group Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the Directors on a regular basis.

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

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

Principle 11: Conflicts of Interest

Ms Diane Izzo, Mr Karl Izzo and Mr Edwin Pisani are executive officers of the Company. Ms Diane Izzo and Mr Karl Izzo have a direct beneficial interest in the share capital of the Company, and as such are susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company. During the financial period 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.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction (unless the Board finds no objection to the presence of such Director with conflict of interest).

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2020

Part 1: Compliance with the Code (continued)

Principle 12: Corporate Social Responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices and is committed to enhance the quality of life of all stakeholders and of the employees of the Company and the Group.

Part 2: Non-Compliance with the Code

Principle 2: Chairman and Chief Executive

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

Principle 7: Evaluation of the Board's Performance

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

Principle 8: Committees

The Board of Directors considers that the size and operation of the Issuer does not warrant the setting up of nomination and remuneration committees. Given that the Issuer does not have any officers or employees other than the Directors and the company secretary, it is not considered necessary for the Issuer to maintain a remuneration committee and a nomination committee.

Appointments to the Board of Directors are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the Directors. The aggregate amount approved for this purpose during the last Annual General Meeting was Euro 13,749.

DIZZ FINANCE P.L.C.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2020

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

Principle 8: Committees (continued)

The directors are paid on the basis of a fixed remuneration, the aggregate of which is approved in general meeting by the shareholders. No part of the remuneration paid to the Directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the Directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits with respect to Dizz Finance P.L.C.

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



Mr Joseph C Schembri
Director and Chairman of Audit Committee

DIZZ FINANCE P.L.C

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

We have audited the financial statements of Dizz Finance P.L.C. (the Company), set out on pages 16 to 48, 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 year 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 year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the fact that the Company forms part of a Group (Dizz Group of Companies Limited and its subsidiaries) that operate in the retail and catering industry. Due to the COVID-19 outbreak, these industries were negatively affected and had to deal with government-imposed restrictions on all operations. During the year under review, Dizz Group of Companies Limited presented consolidated losses. The Company's principal activity is to act as a finance company to other companies forming part of the same Group and therefore is itself dependent on the financial performance of the Dizz Group of Companies. By consequence, although presenting a profit of Euro 1,166,439, an uncertainty exists that may cast significant doubt on the Company's ability to continue 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 Group'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.

DIZZ FINANCE P.L.C

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 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.

Investment Property

As at 31 December 2020 the Company held Investment Property of Euro 3,785,802. As described in the Accounting Policies in note 3 to the financial statements, investment property is carried at fair value. As a result, the Directors obtain valuations of the property on a systematic basis so that the accounts show the fair value of the property as per valuations carried out by a reputable firm of architects on an open market value basis.

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

Amounts due from related companies

As at 31 December 2020 the Company held Euro 6,163,420 as receivables from related companies. Part of the proceeds of the public bond issue made in 2016 by Dizz Finance P.L.C. was used to forward loans to related companies for their business operations.

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

Amounts due from Dal Cafe Limited

As at 31 December 2020 the Company was owed Euro 80,944 from Dal Cafe Limited. Dal Cafe Limited was a subsidiary of the Group until 1 September 2017, being the date the company was disposed off through the sale of the shareholding owned by DK Pascucci Limited. The loan granted by Dizz Finance P.L.C. was used by Dal Cafe Ltd for its business operations.

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

Other Information

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

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Report on Corporate Governance

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

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

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

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

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

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

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

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

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

Responsibilities of the Directors

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

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

DIZZ FINANCE P.L.C

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DIZZ FINANCE P.L.C

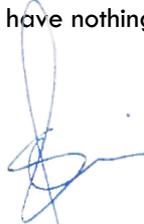
Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

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

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

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



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

Balzan
Malta

27 April 2021

DIZZ FINANCE P.L.C.

Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 €	2019 €
Revenue	6	835,048	952,924
Finance costs	7	(430,425)	(424,935)
Gross profit		404,623	527,989
Other income	8	947,061	5,000
Administrative expenses		(136,953)	(120,175)
Depreciation		(48,292)	(45,831)
Profit before tax	5	1,166,439	366,983
Income tax	9	144,866	-
Profit for the year		1,311,305	366,983
Total comprehensive income for the year		1,311,305	366,983
Earnings per share	20	0.69	0.19

The notes on pages 21 to 48 are an integral part of these financial statements.

DIZZ FINANCE P.L.C.

Statement of Financial Position

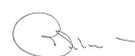
As at 31 December 2020

	Notes	2020 €	2019 €
Assets			
Property, plant and equipment	10	242,925	266,603
Investment property	11	3,785,802	2,917,969
Loans owed by related companies	12	6,163,420	6,163,420
Loans owed by third parties	13	80,944	89,263
Deposits on property	23	70,000	97,250
Deferred tax asset	18	242,840	-
Total non-current assets		10,585,931	9,534,505
Trade and other receivables	14	5,871,776	5,134,817
Total current assets		5,871,776	5,134,817
Total assets		16,457,707	14,669,322
Equity			
Issued capital	15	1,910,000	1,910,000
Retained earnings	16	3,150,738	1,839,433
Total equity		5,060,738	3,749,433
Liabilities			
Borrowings	17	7,859,968	7,835,687
Deferred tax liabilities	18	270,975	195,443
Total non-current liabilities		8,130,943	8,031,130
Trade and other payables	19	2,339,832	1,955,866
Borrowings	17	729,837	751,178
Current tax liabilities		196,357	181,715
Total current liabilities		3,266,026	2,888,759
Total liabilities		11,396,969	10,919,889
Total equity and liabilities		16,457,707	14,669,322

The financial statements on pages 16 to 48 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 Joseph C Schembri
Director

DIZZ FINANCE P.L.C.

Statement of Changes in Equity

For the year ended 31 December 2020

	Issued capital €	Retained earnings €	Total €
Changes in equity for 2019			
Balance at 1 January 2019	1,910,000	1,472,450	3,382,450
Comprehensive income			
Profit for the year	-	366,983	366,983
Balance at 31 December 2019	1,910,000	1,839,433	3,749,433
Changes in equity for 2020			
Balance at 1 January 2020	1,910,000	1,839,433	3,749,433
Comprehensive income			
Profit for the year	-	1,311,305	1,311,305
Balance at 31 December 2020	1,910,000	3,150,738	5,060,738

DIZZ FINANCE P.L.C.

Statement of Cash Flows

For the year ended 31 December 2020

	2020 €	2019 €
Cash flows from operating activities		
Profit before tax	1,166,439	366,983
Adjustments for:		
Depreciation	48,292	45,831
Profit from disposal of immovable property	(113,500)	-
Bank interest expense	994	76
Bond interest expense	400,000	400,000
Interest income	(663,857)	(659,275)
Amortisation of bond issue costs	24,280	24,281
Revaluation on property	(853,031)	-
	<hr/>	<hr/>
Operating profit before working capital changes	9,617	177,896
Movement in receivables	(7,696)	(18,986)
Movement in payables	76,136	(1,931)
	<hr/>	<hr/>
Cash generated from operations	78,057	156,979
Tax paid	(7,800)	(183,083)
Interest paid	(994)	(76)
Interest received	263,857	659,275
	<hr/>	<hr/>
Net cash generated from operating activities	333,120	633,095
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(24,614)	(2,113)
Payment for acquisition of investment property	(134,052)	-
Deposit on property	(70,000)	-
Payments received on disposal of property	330,000	-
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	101,334	(2,113)
	<hr/>	<hr/>

DIZZ FINANCE P.L.C.

Statement of Cash Flows (continued)

For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash flows from financing activities			
Loans to related companies		(21,433)	(372,796)
Loans from related parties		-	153,650
Receipts/(payment) of loans from third parties		8,320	(1,263)
Payment of bond interest		(400,000)	(400,000)
		<hr/>	<hr/>
Net cash used in financing activities		(413,113)	(620,409)
		<hr/>	<hr/>
Net movement in cash and cash equivalents		21,341	10,573
Cash and cash equivalents at beginning of year		(25,903)	(36,476)
		<hr/>	<hr/>
Cash and cash equivalents at end of year	21	(4,562)	(25,903)
		<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31 December 2020

1 REPORTING ENTITY AND OTHER INFORMATION

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 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
<i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i>	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (subsidiary as a first-time adopter)	1 January 2022
<i>IFRS 3 Business Combinations</i>	Amendments updating a reference to the <i>Conceptual Framework</i>	1 January 2022
<i>IFRS 4 Insurance Contracts</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
	Amendments regarding the expiry date of the deferral approach	1 January 2023
<i>IFRS 7 Financial Instruments: Disclosures</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 9 Financial Instruments</i>	Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2021
	Amendments resulting from <i>Annual Improvements to IFRS Standards 2018–2020</i> (fees in the '10 per cent' test for derecognition of financial liabilities)	1 January 2022
<i>IFRS 16 Leases</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021
<i>IFRS 17 Insurance Contracts</i>	Original issue	1 January 2023
	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
<i>IAS 1 Presentation of Financial statements</i>	Amendments regarding the classification of liabilities	1 January 2023
	Amendment to defer the effective date of the January 2020 amendments	1 January 2023

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

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

<i>IAS 16 Property, Plant and Equipment</i>	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
<i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
<i>IAS 39 Financial Instruments: Recognition and Measurement</i>	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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act, 1995. The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

The principal accounting policies applied in the preparation of these 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 a finance company. The Company in itself does not have substantial assets and is a special purpose vehicle set up to act as the finance company for the Dizz Group. Since the Company does not carry out any trading activities itself, it is economically dependent on the business prospects of the Dizz Group, whose core operations are leasing of retail outlets, as well as operating retail and catering outlets. 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 the companies forming part of the Dizz Group.

Due to the COVID-19 outbreak, all the operations of the Dizz Group were negatively impacted 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 Dizz Group applied for the COVID-19 Wage Supplement Scheme, the Electricity Refund Scheme and the Rental Refund Scheme made available by Malta Enterprise. Furthermore, during the year under review the Dizz Group applied for bank finance with a subsidised interest rate and raised €3,000,000 Notes as the First Tranche of its base programme by D Foods Finance p.l.c. on IFSM, to aid in the liquidity management of the Group.

The Dizz Group shall continue to closely monitor the situation and constantly assess the impact of the COVID-19 pandemic on its operations. The Dizz 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 Dizz Group resilient enough to be able to sustain the current conditions.

Taking into consideration all of the above factors and circumstances, the directors of the company 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.2 REVENUE RECOGNITION

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

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.

3.2.2 Rental Income

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

3.3 LEASING

3.3.1 The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Finance Leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset.

Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings the minimum lease payments are first allocated to each component on the relative fair values of the respective lease interest. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

Operating Leases

Rental income is recognised on a straight-line basis over the term of the lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.4 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.

3.5 TAXATION

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

3.5.1 Current Tax

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.5 TAXATION (continued)

3.5.2 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.

3.5.3 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 Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.6 PROPERTY, PLANT AND EQUIPMENT (continued)

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.

3.7 INVESTMENT PROPERTY

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

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

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

3.8 IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.8 IMPAIRMENT OF TANGIBLE ASSETS (continued)

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.

3.9 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.

3.10 FINANCIAL ASSETS

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

Classification of financial assets

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.10 FINANCIAL ASSETS (continued)

Classification of financial assets (continued)

- 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.10 FINANCIAL ASSETS (continued)

Derecognition of financial assets

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

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

3.11 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.11 FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

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 17.

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

Derecognition

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

3.12 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.13 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 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

4.1.1 Deferred taxation on investment properties (properties)

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

4.1.2 Deferred taxation on investment properties (leased properties)

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

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

4.2.1 Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent that it is available.

Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 10, 11, 14 and 19.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

5	PROFIT BEFORE TAX		
		2020	2019
		€	€
	Operating profit is stated after charging:		
	Auditors' remuneration	12,000	12,000
	Directors' remuneration	13,749	19,169
	Depreciation of property, plant and equipment	48,292	45,831
		<hr/>	<hr/>
6	REVENUE		
		2020	2019
		€	€
	Rental income	171,191	288,596
	Interest receivable	659,275	659,275
	Interest on loan to third parties	4,582	5,053
		<hr/>	<hr/>
		835,048	952,924
		<hr/>	<hr/>
7	FINANCE COSTS		
		2020	2019
		€	€
	Interest payable on bonds	400,000	400,000
	Amortisation of bond expenses (note 17.1)	24,281	24,281
	Bank interest	994	76
	Bond related expenses	5,150	578
		<hr/>	<hr/>
		430,425	424,935
		<hr/>	<hr/>
8	OTHER INCOME		
		2020	2019
		€	€
	Profit on disposal of investment property	94,030	-
	Other income	-	5,000
	Gains on revaluation of investment property	853,031	-
		<hr/>	<hr/>
		947,061	5,000
		<hr/>	<hr/>

As per accounting policies of the Company, investment property is measured at fair value and any profit or losses are accounted for through the statement of comprehensive income.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

9 INCOME TAX**9.1 Income tax recognised in statement of comprehensive income**

The tax expense for the year consists of:

	2020 €	2019 €
Current tax:		
In respect of the current year	-	-
	<hr/>	<hr/>
Deferred tax:		
Investment property	75,532	-
Tax losses	(242,840)	-
	<hr/>	<hr/>
	(167,308)	-
	<hr/>	<hr/>
Final withholding tax:		
Property sales	22,442	-
	<hr/>	<hr/>
Total tax recognised in the current year	(144,866)	-
	<hr/>	<hr/>

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

	2020 €	2019 €
Profit before tax	1,166,439	366,983
	<hr/>	<hr/>
Theoretical tax at 35%	408,254	128,444
Tax effect of expenses not subject to tax:		
Depreciation on property, plant and equipment	16,902	16,041
Disallowable expenses	71,080	85,904
Fines and penalties	17,881	-
Tax effect of income that is deductible in determining taxable profit:		
Sale of property subject to FWT	(10,468)	-
Group loss relief	(170,663)	(210,187)
Group loss relief carried forward	(242,840)	-
Investment property revaluations	(223,029)	-
Effect of allowance deductible from rental income	(11,983)	(20,202)
	<hr/>	<hr/>
Income tax expense recognised in profit or loss	(144,866)	-
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

9 INCOME TAX (continued)**9.2 Deferred tax recognised in statement of comprehensive income**

	2020 €	2019 €
Deferred tax:		
Investment property	75,532	-
Tax losses	(242,840)	-
	<hr/>	<hr/>

9.3 Current tax liabilities

	2020 €	2019 €
Income tax payable	-	-
	<hr/>	<hr/>

9.4 Deferred tax balances in statement of financial position

	2020 €	2019 €
Deferred tax assets (note 18.1)	242,840	-
Deferred tax liabilities (note 18.2)	(270,975)	(195,443)
	<hr/>	<hr/>
	(28,135)	(195,443)
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

10 PROPERTY, PLANT AND EQUIPMENT

	Improvements to buildings €	Furniture and fittings €	Computer equipment €	Total €
<u>Cost/revalued amount</u>				
At 1 January 2019	418,286	26,610	4,364	449,260
Addition	-	1,860	253	2,113
At 31 December 2019	418,286	28,470	4,617	451,373
At 1 January 2020	418,286	28,470	4,617	451,373
Additions	-	24,614	-	24,614
At 31 December 2020	418,268	53,084	4,617	475,987
<u>Depreciation</u>				
At 1 January 2019	133,016	4,832	1,091	138,939
Charge for the year	41,829	2,848	1,154	45,831
At 31 December 2019	174,845	7,680	2,245	184,770
At 1 January 2020	174,845	7,680	2,245	184,770
Charge for the year	41,829	5,309	1,154	48,292
At 31 December 2020	216,674	12,989	3,399	233,062
<u>Carrying amounts</u>				
At 31 December 2020	201,612	40,095	1,218	242,925
At 31 December 2019	243,441	20,790	2,372	266,603

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

11 INVESTMENT PROPERTY

	Land and buildings €
<u>Cost/revalued amount</u>	
At 1 January/31 December 2019	2,917,969
Disposal	(216,500)
Additions	231,302
Revaluation	853,031
<u>Carrying amounts</u>	
At 31 December 2020	3,785,802
At 31 December 2019	2,917,969

Investment property is rented out to related companies and third parties in order to generate rental income.

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

12 LOANS OWED BY RELATED COMPANIES

	2020 €	2019 €
Amounts due from related companies	6,163,420	6,163,420

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

13 LOANS OWED BY THIRD PARTIES

	2020 €	2019 €
Amounts due from third parties	80,944	89,263

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

14 TRADE AND OTHER RECEIVABLES

	2020 €	2019 €
Trade receivables	-	9,910
Other receivables	36,288	39,852
Prepayments and accrued income	38,481	17,311
Amounts due from related parties (note)	5,797,007	5,067,744
	<u>5,871,776</u>	<u>5,134,817</u>

Note:

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

15 ISSUED CAPITAL

	2020 €	2019 €
<u>Authorised</u> 1,910,000 ordinary shares of €1 each	1,910,000	1,910,000
<u>Called-up, issued and fully paid</u> 1,910,000 ordinary shares of €1 each	1,910,000	1,910,000

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

16 RETAINED EARNINGS

The profit and loss account represents accumulated retained earnings.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

17 BORROWINGS

	2020 €	2019 €
Amounts falling due within one year:		
Bank balance overdrawn	4,562	25,903
Amounts due to related party (note)	725,275	725,275
	<hr/>	<hr/>
Total borrowings due within one year	729,837	751,178
	<hr/>	<hr/>
Amounts falling after more than five years:		
5% Bonds 2026 (note 17.1)	7,859,968	7,835,687
	<hr/>	<hr/>
Total borrowings due after five years	7,859,968	7,835,687
	<hr/>	<hr/>
Total borrowings	8,589,805	8,586,865
	<hr/>	<hr/>

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

	2020	2019
At variable rates	9.25%	9.25%
At fixed rates	5%	5%
	<hr/>	<hr/>

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

	2020	2019
Bank balance overdrawn	9.25%	9.25%
Bonds	5%	5%
	<hr/>	<hr/>

Note :

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

17 BORROWINGS (continued)**17.1 BONDS**

	2020 €	2019 €
5% Bonds 2026	7,859,968	7,835,687
Proceeds	8,000,000	8,000,000
Gross amount of bond issue costs	242,811	242,811
<u>Amortisation of gross amount of bond issue costs:</u>		
At 1 January	78,498	54,217
Amortisation for the year	24,281	24,281
Accumulated amortisation at end of year	102,779	78,498
Unamortised bond issue costs	140,032	164,313
Amortised cost and closing carrying amount	7,859,968	7,835,687

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

17 BORROWINGS (continued)**17.1 BONDS (continued)**

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

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

As at 31 December 2019, Mr Francis Gouder (director) held 50,000 bonds at Euro 1 each in Dizz Finance P.L.C. amounting to Euro 50,000. Mr Francis Gouder resigned on 5 March 2020.

18 DEFERRED TAX

	2020 €	2019 €
18.1 Deferred tax assets	242,840	-
The deferred tax asset relates to tax losses.		
18.2 Deferred tax liabilities	270,975	195,443

The deferred tax liabilities relates to the investment property held by the Company. As at 31 December 2020 the effective rate of tax applicable on the sale of investment property amounts to a 5%-10% final tax on the property's transfer value.

19 TRADE AND OTHER PAYABLES

	2020 €	2019 €
Amounts falling due within one year:		
Trade payables	42,668	41,028
Other payables	109,379	34,879
Accruals	105,145	105,150
Amounts due to related companies (note)	2,082,640	1,774,809
	<u>2,339,832</u>	<u>1,955,866</u>

Note:

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

20 EARNINGS PER SHARE

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

	2020 €	2019 €
Profit for the year	1,311,305	366,983
Weighted number of ordinary shares	1,910,000	1,910,000
Earnings per shares	0.69	0.19

21 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 €	2019 €
Bank balance overdrawn	(4,562)	(25,903)
	(4,562)	(25,903)

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

22 RELATED PARTIES**22.1 Parent Company**

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

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

22.2 Key management personnel and director transactions

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

22 RELATED PARTIES (continued)

22.2 Key management personnel and director transactions (continued)

Balances with related parties are set out in notes 12, 14, 17 and 19 to these financial statements. Other transactions with related parties are included in the statement of cash flows.

22.3 Related party transactions and balances

	Notes	Transaction value year ended 31 December		Balance outstanding as at 31 December	
		2020 €	2019 €	2020 €	2019 €
<u>Revenue</u>					
Rental income		171,191	288,596	-	-
Interest income		663,857	664,328	-	-
<u>Financing transaction</u>					
Amounts due from related companies	22.4	-	-	6,163,420	6,163,420
Amount due from related parties	22.5	729,263	(1,351,379)	5,797,007	5,067,744
Amounts due to related party	22.5	-	153,650	725,275	725,275
Amounts due to related companies	22.5	307,831	(1,724,175)	2,082,640	1,774,809

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

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

23 CAPITAL COMMITMENTS

	2020 €	2019 €
Commitments contracted for	-	225,000

As at 31 December 2020 the Company's capital commitments with regards to purchase of immovable property amounts to Euro 270,000 (2019: Euro 225,000). During the year under review the Company had Euro 70,000 (2019 - Euro 97,250) as deposits paid on account on such immovable property.

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

24 FINANCIAL INSTRUMENTS

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

24.1 Market risk**Cash flow and fair value interest rate risk**

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

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

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

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

24.2 Credit risk

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

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

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

	2020 €	2019 €
Trade and other receivables	36,288	49,762

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

24 FINANCIAL INSTRUMENTS (continued)

24.2 Credit risk (continued)

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.

24.3 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 17 and 19). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

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

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

	Carrying amounts €	Contractual cash flows €	1-12 months €	2-5 years €	After 5 years €
At 31 December 2020					
Bank balance overdrawn	4,562	4,562	4,562	-	-
Related party loan	725,275	725,275	725,275	-	-
Trade and other payable:	152,047	152,047	152,047	-	-
Bonds	7,859,968	10,400,000	400,000	1,600,000	8,400,000
	<u>8,741,852</u>	<u>11,281,884</u>	<u>1,281,884</u>	<u>1,600,000</u>	<u>8,400,000</u>
At 31 December 2019					
Bank balance overdrawn	25,903	25,903	25,903	-	-
Related party loan	725,275	725,275	725,275	-	-
Trade and other payables	75,907	75,907	75,907	-	-
Bonds	7,835,687	10,800,000	400,000	1,600,000	8,800,000
	<u>8,662,772</u>	<u>11,627,085</u>	<u>1,227,085</u>	<u>1,600,000</u>	<u>8,800,000</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

24 FINANCIAL INSTRUMENTS (continued)

24.4 Capital risk management

The Company's objectives when managing capital are:

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

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

25 APPROVAL OF THE FINANCIAL STATEMENTS

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