SHOPPING MALLS
FINANCE P.L.C.

**D Shopping Malls Finance PLC**
Dizz Building, Carob Street, St. Venera SVR 700
Tel: 21225589 Fax: 21443681
Co. Reg. No. C 87809

# Approval of Financial Statements

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Date of Announcement 16th April 2020

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The following is a company announcement issued by D Shopping Malls Finance p.l.c. (hereinafter the "Company") pursuant to Rule 4.11.13 of the Prospects Rules.

***QUOTE***

The Board of Directors of the Company, on the 14th of April 2020, considered and approved the Company's audited consolidated financial statements for the period ended 31 December 2019 (herewith attached). Furthermore, the Company has been informed by the Board of Directors of D Shopping Malls Limited (C 87499) (the "Guarantor") that the Board of Directors of the Guarantor, on the 14th of April 2020, considered and approved the audited financial statements of the Guarantor for the period ended 31 December 2019. The said financial statements are available for viewing on the Company's website through the following link: https://dizz.com.mt/bonds/d-shopping-malls-finance-plc/.

The Board of Directors note that a material variance resulted between the 2019 consolidated projections that were published in Section 8 as well as Annex D to the Company Admission Document issued on 27 September 2018 (Original Consolidated Projections), and actual results registered for the financial year ending 31 December 2019. The Original Consolidated Projections had a profit before tax of €38k for the year ending 31 December 2019, however, the D Shopping Malls Group (D Shopping Malls Finance p.l.c. and D Shopping Malls Limited) generated a loss before tax of €246k during these eighteen months, thereby failing to generate a profit as per the Original Consolidated Projections. The projections were based on the expectation that all retail outlets within D Mall and Center Parc situated at Sliema and Qormi respectively, would have been leased out during 2019. However, due to circumstances outside the control of the D Shopping Malls Group, the D Shopping Malls Group encountered several delays in the development and completion of D Mall and Centre Parc, leading to the D Shopping Malls Limited leasing out significantly less units than those projected in the Company Admission Document. This delay was the main reason behind the €2 million revenue variance between actual results and projected figures for the financial period ended 31 December 2019.

***UNQUOTE***

Dr Ian Vella Galea
Company Secretary

*DSM 23*

D SHOPPING MALLS FINANCE P.L.C.

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the period 13 August 2018 to 31 December 2019

D SHOPPING MALLS FINANCE P.L.C.

**Company Information**

| | |
|---|---|
| **Directors :** | Ms Diane Izzo<br>Mr Karl Izzo<br>Mr Edwin Pisani<br>Mr Joseph C Schembri<br>Mr Francis Gouder (resigned on 30 March 2020)<br>Mr Nigel Scerri (resigned on 31 December 2018)<br>Dr Ian Vella Galea (appointed on 26 September 2018/resigned on 22 May 2019)<br>Mr Simon John Calleja (appointed on 31 December 2018 /resigned on 29 April 2019)<br>Mr Francis Cassar (appointed on 22 May 2019) |
| **Secretaries :** | Dr Sam Abela (resigned on 20 May 2019)<br>Dr Ian Vella Galea (appointed on 20 May 2019) |
| **Company number :** | C 87809 |
| **Registered office :** | Dizz Buildings<br>Carob Street<br>St. Venera |
| **Auditors :** | KSi Malta<br>6, Villa Gauci<br>Mdina Road<br>Balzan BZN 9031 |
| **Banker :** | Bank of Valletta plc<br>Constitution Street<br>Mosta |

D SHOPPING MALLS FINANCE P.L.C.

**Contents**

**Report of the Directors**
For the period 13 August 2018 to 31 December 2019

The directors present their report and the audited financial statements for the period 13 August 2018 to 31 December 2019.

***Incorporation***

D Shopping Malls Finance P.L.C. (hereinafter referred to as the "Company") was incorporated on 13 August 2018. The Company is a fully owned subsidiary of D Shopping Malls Limited (hereinafter referred to as the "Guarantor"). The two companies form part of D Shopping Malls Group (hereinafter referred to as the "Group").

***Principal Activity***

The principal activity of D Shopping Malls Finance P.L.C. (the Company) is to act as a finance company and its business is limited to the raising of capital and the lending of such capital to D Shopping Malls Limited (the Guarantor), the collection of interest from the Guarantor and the settlement of interest payable on capital raised from third parties. The activities of the Company are expected to remain consistent for the foreseeable future.

***Review of Business***

During the period under review the Company issued € 7,500,000 in Bonds on Prospects MTF. The company advanced the net proceeds to the related companies, and in turn these were then used in accordance with the Company Admission Document by the Guarantor.

The Company registered a profit before taxation of € 14,116. Revenue during the period was primarily attributable to interest receivable from the Parent Company amounting to € 488,196 and management fees of € 60,000. It is envisaged that the income stream of the Company will remain relatively constant in accordance with the terms of agreement drawn up with the Guarantor.

***Principal Risks and Uncertainties***

The Company is mainly dependant on the business prospects of the D Shopping Malls Limited, and consequently, the operating results of D Shopping Malls Limited have a direct effect on the Company's financial position and performance, including the ability of the Company to services its payment obligations under the issued bonds.

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

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

**Report of the Directors (continued)**
For the period 13 August 2018 to 31 December 2019

***Dividends and Reserves***

The directors do not recommend the payment of a dividend.

***Future Developments***

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

***Financial Risk Management***

The Company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. These are further analysed in Note 19 of these financial statements.

***Post Balance Sheet Events***

The Directors evaluated subsequent events from 1 January 2020 through 14 April 2020, the date the financial statements are approved. The directors concluded that subsequent events have occurred as disclosed in note 20 in these financial statements.

***Directors***

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

| | |
|---|---|
| Ms Diane Izzo | |
| Mr Karl Izzo | |
| Mr Francis Gouder | (resigned on 30 March 2020) |
| Mr Edwin Pisani | |
| Mr Nigel Scerri | (resigned on 31 December 2018) |
| Mr Joseph C Schembri | |
| Dr Ian Vella Galea | (appointed on 26 September 2018/resigned on 22 May 2019) |
| Mr Simon John Calleja | (appointed on 31 December 2018/resigned on 29 April 2019) |
| Mr Francis Cassar | (appointed on 22 May 2019) |

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

***Directors' Interest***

The Directors do not hold direct shares in D Shopping Malls Limited as at 31 December 2019, however Ms Diane Izzo and Mr Karl Izzo, as directors, are also the Ultimate Beneficial Owners of the Group.

***Statement of Directors' Responsibilities***

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

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

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

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

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

- the financial statements give a true and fair view of the financial position of the Company at 31 December 2019, 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.

**Report of the Directors (continued)**
For the period 13 August 2018 to 31 December 2019

***Going Concern Statement***

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

***Auditors***

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

BY ORDER OF THE BOARD

Mr Joseph C Schembri
Director

Ms Diane Izzo
Director

14 April 2020

**Corporate Governance - Statement of Compliance**
For the period 13 August 2018 to 31 December 2019

The Prospect MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the "**Code**").

Although the adoption of the Code is not obligatory, companies are required by Prospects MTF Rules to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the company has adopted the Code 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 Company believe in the adoption of the Code and has endorsed it 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 Company Admission Document 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 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**

The Board is composed of three executive directors 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.

The Board is made up as follows:

Ms Diane Izzo – Executive Director and Chairperson
Mr Karl Izzo – Executive Director
Mr Edwin Pisani – Executive Director
Mr Francis Gouder – Non-Executive Director (resigned on 30 March 2020)
Mr Joseph C Schembri – Non-Executive Director
Mr Francis Cassar – Non-Executive Director (appointed on 22 May 2019)
Dr Ian Vella Galea acts as secretary to the Board of Directors (appointed on 20 May 2019)

**Corporate Governance - Statement of Compliance (continued)**
For the period 13 August 2018 to 31 December 2019

**Part 1: Compliance with the Code (continued)**

**Principle 3: Composition of the Board (continued)**

In accordance with the provisions of the Company's Articles of Association, the appointment of Directors to the Board is exclusively reserved to the Company's shareholders, 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. In terms of the Articles of Association, a Director shall hold office for a period one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Mr Nigel Scerri resigned on 31 December 2018, Mr Simon John Calleja was appointed on 31 December 2018 and resigned on 29 April 2019 and Dr Ian Vella Galea was appointed on 26 September 2018 and resigned on 22 May 2019.

The non-executive directors, Mr Joseph C Schembri, Mr Francis Gouder (resigned on 30 March 2020) and Mr Francis Cassar (appointed on 22 May 2019) are 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.

**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.

The Board meets as often as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as Directors of the Company. The Board met six times during the period under review. The number of board meetings attended by directors for the year under review is as follows:

| | |
|---|---|
| Ms Diane Izzo | 6 |
| Mr Karl Izzo | 3 |
| Mr Edwin Pisani | 4 |
| Mr Francis Cassar – appointed on 22 May 2019 | 3 |
| Mr Francis Gouder – resigned on 30 March 2020 | 6 |
| Mr Joseph C Schembri | 6 |
| Dr. Ian Vella Galea<br>- appointed on 26 September 2018<br>- resigned on 22 May 2019 May 2019 | 2 |
| Mr Nigel Scerri - resigned on 31 December 2018 | 2 |
| Mr Simon John Calleja<br>- appointed on 31 December 2018<br>- resigned on 29 April 2019 | 1 |

*Note: The total number of meetings above includes a meeting held on the 6th January 2020 which was meant to be held by end December 2019.*

**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 Prospects MTF Rules and other relevant legislation. The Company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

**Corporate Governance - Statement of Compliance (continued)**
For the period 13 August 2018 to 31 December 2019

**Part 1: Compliance with the Code (continued)**

**Part 8: Committees**

**Audit Committee**
The Audit Committee's primary objective is to assist the board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board.

Although the Audit Committee is set up at the level of the Company its main tasks are also related to the activities of that of its parent, who together form the D Shopping Malls Group.

The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Company's external auditors.

During the financial period under review, the Audit Committee met six times. The Audit Committee is composed of a mixture of executive and non-executive directors as follows:

**Executive Director**

Ms Diane Izzo – appointed on 30 March 2020

**Non Executive Directors**

Mr Joseph C Schembri (Chairman of the Audit Committee)
Mr Francis Gouder – resigned on 30 March 2020
Mr Francis Cassar – appointed 22 May 2019
Dr Ian Vella Galea – appointed on 26 September 2018/resigned 22 May 2019

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

**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**

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

**Corporate Governance - Statement of Compliance (continued)**
For the period 13 August 2018 to 31 December 2019

**Part 1: Compliance with the Code (continued)**

**Principle 10: Institutional Shareholders**

The Directors are of the view that this Principle is not applicable to 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).

**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 C 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 Issuer's shareholders, the market and the rules by which the Issuer is regulated.

**Corporate Governance - Statement of Compliance (continued)**
For the period 13 August 2018 to 31 December 2019

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

**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.

Signed on behalf of the Board of Directors on 14 April 2020 by:

Mr Joseph C Schembri
Director and Chairman of Audit Committee

**Independent Auditors' Report**

To the shareholders of D Shopping Malls Finance P.L.C.

**Report on the Audit of the Financial Statements**

We have audited the financial statements of D Shopping Malls Finance P.L.C. (the Company), set out on pages 15 to 36, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

**Basis for Opinion**

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



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**Independent Auditors' Report (continued)**

## Key Audit Matters

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

*Bond Loan*

As at 31 December 2019 the Company held Euro 7,500,000 in Bonds having a coupon rate of 5.35% to the general public through Prospects MTF markets and these were fully subscribed.

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

*Amounts due from related companies*

As at 31 December 2019 the Company held Euro 8,324,246 as receivables from related companies. Part of the proceeds of the public bond issue made in 2018 by D Shopping Malls 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 D Shopping Malls Finance P.L.C. The results of our testing were satisfactorily and we concur that the amounts due from related companies are disclosed in the audited accounts of each individual company.

## Other Information

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

## Report on Corporate Governance

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

**Independent Auditors' Report (continued)**

**Report on Corporate Governance (continued)**

The Prospects MTF 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 9 has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

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

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

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors has been prepared in accordance with the Companies Act (Cap. 386).

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

**Responsibilities of the Directors**

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

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


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**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

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

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

Balzan
Malta

14 April 2020

**Statement of Comprehensive Income**
For the period 13 August 2018 to 31 December 2019

| | Note | 2019 (16 ½ months) € |
|---|---|---|
| Finance income | 5 | 491,338 |
| Finance cost | 6 | (482,930) |
| **Net interest income** | | 8,408 |
| Other Income | 7 | 60,000 |
| Administrative expenses | | (54,292) |
| **Profit before tax** | 4 | 14,116 |
| Tax expense | 8 | - |
| **Profit for the period - total comprehensive income** | | 14,116 |
| **Earnings per share** | 16 | 0.28 |

The notes on pages 19 to 36 are an integral part of these financial statements.

**Statement of Financial Position**
As at 31 December 2019

| | Note | 2019 € |
|---|---|---|
| **Assets** | | |
| Loans receivable | 9 | 7,417,230 |
| **Total non-current assets** | | 7,417,230 |
| Trade and other receivables | 10 | 907,016 |
| **Total current assets** | | 907,016 |
| **Total assets** | | 8,324,246 |
| **Equity** | | |
| Issued capital | 11 | 50,000 |
| Retained earnings | 12 | 14,116 |
| **Total equity** | | 64,116 |
| **Liabilities** | | |
| Borrowings | 13 | 7,426,958 |
| **Total non-current liabilities** | | 7,426,958 |
| Trade and other payables | 15 | 822,753 |
| Borrowings | 13 | 10,419 |
| **Total current liabilities** | | 833,172 |
| **Total liabilities** | | 8,260,130 |
| **Total equity and liabilities** | | 8,324,246 |

The financial statements on pages 15 to 36 were approved and authorised for issue by the Board on 14 April 2020 and were signed on its behalf by:

Mr Joseph C Schembri
Director

Ms Diane Izzo
Director

**Statement of Changes in Equity**
For the period 13 August 2018 to 31 December 2019

| | Issued capital € | Retained earnings € | Total € |
|---|---|---|---|
| **Changes in equity for the period** | | | |
| Issue of share capital | 50,000 | - | 50,000 |
| **Comprehensive income** | | | |
| Profit for the period | - | 14,116 | 14,116 |
| **Balance at 31 December 2019** | 50,000 | 14,116 | 64,116 |

**Statement of Cash Flows**
For the period 13 August 2018 to 31 December 2019

| | Note | 2019 (16 ½ months) € |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | | 14,116 |
| Adjustments for: | | |
| Amortisation of bond issue costs | | 9,728 |
| Bond interest payable | | 471,606 |
| Operating profit before working capital changes: | | 495,450 |
| Movement in receivables | | (14,425) |
| Movement in payables | | 18,803 |
| Cash generated from operations | | 499,828 |
| Net cash generated from operating activities | | 499,828 |
| **Cash flows from/(used in) financing activities** | | |
| Proceeds on issue of shares | | 50,000 |
| Net loans to related companies | | (7,576,227) |
| Net proceeds from bond issue | | 7,417,230 |
| Bond interest paid | | (401,250) |
| Net cash used in financing activities | | (510,247) |
| Net movement in cash and cash equivalents | | (10,419) |
| Cash and cash equivalents at beginning of period | | - |
| **Cash and cash equivalents at end of period** | 17 | (10,419) |

**Notes to the Financial Statements**
For the period 13 August 2018 to 31 December 2019

## 1 REPORTING ENTITY AND OTHER INFORMATION

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

### 1.1 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 14 April 2020.

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

Amendments and interpretations applicable for the first time in 2019 shown hereunder have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Company.

| **Standard** | **Subject of amendment** | **Effective date** |
|---|---|---|
| *IFRS 3 Business Combinations* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (remeasurement of previously held interest) | 1 January 2019 |
| *IFRS 9 Financial Instruments* | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | 1 January 2019 |
| *IFRS 11 Joint Arrangements* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (remeasurement of previously held interest) | 1 January 2019 |
| *IFRS 16 Leases* | Original issue | 1 January 2019 |
| *IAS 12 Income Taxes* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (income tax consequences of dividends) | 1 January 2019 |
| *IAS 19 Employee Benefits* | Amendments regarding plan amendments, curtailments or settlements | 1 January 2019 |
| *IAS 23 Borrowing Costs* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (borrowing costs eligible for capitalization) | 1 January 2019 |
| *IAS 28 Investments in Associates and Joint Ventures* | Amendments regarding long-term interests in associates and joint ventures | 1 January 2019 |

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

**Standards issued but not yet effective**

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

| Standard | Subject of amendment | Effective date |
|---|---|---|
| *IFRS 3 Business Combinations* | Amendments to clarify the definition of a business | 1 January 2020 |
| *IFRS 7 Financial Instruments: Disclosures* | Amendments regarding pre-replacement issues in the context of the IBOR reform | 1 January 2020 |
| *IFRS 9 Financial Instruments* | Amendments regarding pre-replacement issues in the context of the IBOR reform | 1 January 2020 |
| *IFRS 17 Insurance Contracts* | Original issue | 1 January 2023 |
| *IAS 1 Presentation of Financial Statements* | Amendments regarding the definition of material | 1 January 2020 |
| *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* | Amendments regarding the definition of material | 1 January 2020 |

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

## 3 ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value.

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

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

### 3.2 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.

### 3.3 BORROWING COSTS

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.4 TAXATION

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

#### 3.4.1 Current Tax

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

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

#### 3.4.2 Deferred Tax

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

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.4 TAXATION (continued)

#### 3.4.2 Deferred Tax (continued)

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

#### 3.4.3 Current and deferred tax for the year

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

### 3.5 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.

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 ACCOUNTING POLICIES (continued)

### 3.6 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.

### 3.7 FINANCIAL ASSETS

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

**Classification of financial assets**

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

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

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

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

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

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

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.7 FINANCIAL ASSETS (continued)

**Write off policy**

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

**Impairment of financial assets**

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

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

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

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

**Derecognition of financial assets**

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

## 3 ACCOUNTING POLICIES (continued)

### 3.7 FINANCIAL ASSETS (continued)

**Derecognition of financial assets (continued)**

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

### 3.8 FINANCIAL LIABILITIES

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

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

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

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

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

## 3 ACCOUNTING POLICIES (continued)

### 3.8 FINANCIAL LIABILITIES (continued)

**Loans and borrowings (continued)**

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 13.

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.

### 3.9 PROVISIONS

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

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

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

### 3.10 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as liability in the period in which they are declared.

**Notes to the Financial Statements (continued)**
For the period 13 August 2018 to 31 December 2019

## 4 PROFIT BEFORE TAX

| | 2019 (16 ½ months) € |
|---|---|
| Operating profit is stated after charging: | |
| Auditors' remuneration | 8,000 |
| Directors' remuneration | 8,167 |

## 5 FINANCE INCOME

| | 2019 (16 ½ months) € |
|---|---|
| Bank interest | 3,142 |
| Interest from related companies | 488,196 |
| | 491,338 |

## 6 FINANCE COSTS

| | 2019 (16 ½ months) € |
|---|---|
| Interest payable on bonds | 471,606 |
| Amortisation of bond expenses (note 14) | 9,728 |
| Bank charges | 1,125 |
| Other charges | 471 |
| | 482,930 |

## 7 OTHER INCOME

| | 2019 (16 ½ months) € |
|---|---|
| Management fees | 60,000 |

## 8 INCOME TAX

The tax expense for the period consists of:

| | 2019 (16 ½ months) € |
|---|---|
| Malta Income Tax at 35% on taxable income for the period | - |
| Deferred tax expense in respect of the period | - |

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

| | 2019 (16 ½ months) € |
|---|---|
| Profit before tax | 14,116 |
| Theoretical tax at 35% | 4,941 |
| Tax effect of expenses not subject to tax: | |
| Disallowable expenses | 3,963 |
| Group gross relief | (8,904) |
| Income tax expense recognised in profit or loss | - |

## 9 LOANS RECEIVABLE

| | |
|---|---|
| Amounts falling due after more than one year: | |
| Amounts due from parent (note) | 7,417,230 |

Note –
The loan from the parent company carries an interest rate of 5.6% and is repayable according to a specified loan agreement.

## 10 TRADE AND OTHER RECEIVABLES

| | 2019 € |
|---|---|
| Amounts falling due within one year: | |
| Other receivables | 7,521 |
| Prepayments | 6,904 |
| Amounts due from related companies (note) | 892,591 |
| | 907,016 |

Note –
Amounts due from related companies are unsecured interest free and repayable on demand.

## 11 ISSUED CAPITAL

| | 2019 |
|---|---|
| | € |
| Authorised | |
| 49,999 ordinary A shares of €1 each | 49,999 |
| 1 ordinary B shares of €1 each | 1 |
| | 50,000 |
| Called-up, issued and fully paid | |
| 49,999 ordinary A shares of €1 each | 49,999 |
| 1 ordinary B shares of €1 each | 1 |
| | 50,000 |

As per the Company Admission document, the shareholders are not entitled to dividends in the first three years.

## 12 RETAINED EARNINGS

The profit and loss account represents profit for the period.

## 13 BORROWINGS

| | 2019 |
|---|---|
| | € |
| Amounts falling due within one year: | |
| Bank overdraft | 10,419 |
| Total borrowings within one year | 10,419 |
| Amounts falling after more than five years: | |
| 5.35% Bonds 2028 (note 14) | 7,426,958 |
| Total borrowings due after five years | 7,426,958 |
| Total borrowings | 7,437,377 |

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

| | 2019 |
|---|---|
| At fixed rates | 5.35 % |

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

| | 2019 |
|---|---|
| Bonds | 5.35 % |

## 14 BONDS

| | 2019 € |
|---|---|
| Proceeds from 5.35% Bonds 2028 | 7,500,000 |
| Gross amount of bond issue costs | 82,770 |
| Amortisation of gross amount of bond issue costs: | |
| At inception | - |
| Amortisation for the period | 9,728 |
| Accumulated amortisation at end of period | 9,728 |
| Unamortised bond issue costs | 73,042 |
| Amortised cost and closing carrying amount | 7,426,958 |

On 27 September 2018, the Company issued a Company Admission Document for the issue of Euro 7,500,000 5.35% Unsecured Bonds having a nominal value of Euro 100 each. The Bonds were issued in one tranche of Euro 7,500,000 on 1 October 2018 and were fully subscribed. Trading on the bond issue commenced on 14 November 2018.

The Bonds are redeemable at par on 28 October 2028. Interest on the bond issued is payable annually in arrears on 28 October.

The net proceeds from the bond issue was advanced to the Guarantor, who then passed it on to group companies or external parties to develop the properties as below.

- Pay the final payment of the acquisition of the Laguna property;
- Pay an upfront rent to Sliema Wanderers Football Club regarding the lease of immovable property;
- Finish off D Mall Property situated in Tigne Point Sliema and Center Parc Retail Hub in Triq Hal-Qormi c/w, Triq it-Tigrija, Qormi;
- Acquire property in Qui-Si-Sana.

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.

## 15 TRADE AND OTHER PAYABLES

| | 2019 |
|---|---|
| | € |
| Amounts falling due within one year: | |
| Trade payables | 10,804 |
| Accruals | 78,356 |
| Amounts due to related companies | 733,593 |
| | 822,753 |

## 16 EARNINGS PER SHARE

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

| | 2019 |
|---|---|
| | € |
| Profit for the period | 14,116 |
| Weighted number of ordinary shares | 50,000 |
| Earnings per share | 0.28 |

## 17 CASH AND CASH EQUIVALENTS

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

| | 2019 |
|---|---|
| | € |
| Bank balance overdrawn | 10,419 |

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

## 18 RELATED COMPANIES

### 18.1 Parent Company

The Company is a wholly-owned subsidiary of D Shopping Malls Limited which in turn is a fully owned subsidiary of Dizz Group of Companies Limited, the Group's parent Company. The registered office of the ultimate parent Company is situated at Dizz Buildings, Carob Street St. Venera.

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

### 18.2 Directors' transactions

The share capital of the Company is subscribed as to 1 share held by Dizz Group of Companies Limited and 49,999 shares held by D Shopping Malls Limited. Key management personnel have control over the financial and operating policies of the Company.

Balances with related companies are set out in notes 9, 10 and 15 to these financial statements. Other transactions with related companies are included in the statement of cash flows.

### 18.3 Related party transactions and balances

| | Note | Transaction value period ended 31 December 2019 € | Balance outstanding as at 31 December 2019 € |
|---|---|---|---|
| Financing transaction | | | |
| Loan due from related company | 18.4 | 7,417,230 | 7,417,230 |
| Amount due from related companies | 18.5 | 892,591 | 892,591 |
| Amount due to related companies | 18.5 | 733,593 | 733,593 |

18.4 - The loan from related company carries an interest rate of 5.6% and is repayable according to a specified loan agreement (see note 9).

18.5 The amounts from / (due to) related companies are unsecured, interest-free and repayable on demand (see note 10 and 15).

## 19 FINANCIAL INSTRUMENTS

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

### 19.1 Market risk

Cash flow and fair value interest rate risk

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

As at the reporting date, the Company has fixed interest bearing liabilities. Fixed interest-bearing liabilities consist of 5.35% Bonds issued to the general public.

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.

### 19.2 Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables and committed transactions (notes 9, 10 and 17).

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 –

| | 2019 |
|---|---|
| | € |
| Loan due from parent company | 7,417,230 |
| Amounts due from related companies | 892,591 |
| Other receivables | 7,521 |
| | 8,317,342 |

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

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

## 19 FINANCIAL INSTRUMENTS (continued)

### 19.3 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 13, 14 and 15). 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 undertakings.

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

| | Carrying amounts € | Contractual cash flows € | 1-12 months € | 1-5 years € | After 5 years € |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Bank balance overdrawn | 10,419 | 10,419 | 10,419 | - | - |
| Trade and other payables | 89,160 | 89,160 | 89,160 | - | - |
| Bonds | 7,426,958 | 11,111,250 | 401,250 | 1,605,000 | 9,105,000 |
| | 7,526,537 | 11,210,829 | 500,829 | 1,605,000 | 9,105,000 |

### 19.4 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to comply with requirements of the Company Admission Document issued in relation to the 5.35% Bond.

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

## 19 FINANCIAL INSTRUMENTS (continued)

19.4 Capital risk management (continued)

19.4.1 Gearing ratio

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

| | 2019<br>€ |
|---|---|
| Debt (i) | 7,437,377 |
| Net debt | 7,437,377 |
| Equity (ii) | 64,116 |
| Net debt to equity ratio | 99% |

Notes:

(i) Debt is defined as long-and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

## 20 EVENTS AFTER THE REPORTING PERIOD

Subsequent to period end , the worldwide outbreak of the COVID-19 is effecting adversely the general economic conditions. It is difficult to determine and quantify the financial effects and the consequent impact on future results, projections and profitability of the company.

# D SHOPPING MALLS LIMITED

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the period 23 July 2018 to 31 December 2019

**Holding Company Information**

| | |
|---|---|
| **Directors :** | Ms Diane Izzo<br>Mr Karl Izzo |
| **Secretary :** | Ms Diane Izzo |
| **Company number :** | C 87499 |
| **Registered office :** | Dizz Buildings<br>Carob Street<br>Santa Venera |
| **Auditors :** | KSi Malta<br>6, Villa Gauci<br>Mdina Road<br>Balzan<br>Malta |
| **Banker :** | Bank of Valletta plc<br>Constitution Road<br>Mosta |

**Contents**

**Report of the Directors**
For the period 23 July 2018 to 31 December 2019

The directors present their report and the audited financial statements of the Group, composed of D Shopping Malls Limited (hereinafter referred to as the "Guarantor/Company") and D Shopping Malls Finance P.L.C. (hereinafter referred to as the "Issuer"), for the period 23 July 2018, being date of incorporation, to 31 December 2019.

***Principal Activity***

The Group is principally engaged in investing in, acquiring, holding and/or managing any land, building or other property for the purpose of deriving income therefrom. The Guarantor's principal activity is the management, operation and lease of the following shopping malls and properties:

- A 15 year lease agreement with Sliema Wanderers football club to develop and sublease D Malls, a commercial centre located in Tigne Point, Sliema. The lease agreement can be further extended.

  As at the end of the reporting period, the Company leased out two units to operate a Nespresso and KIKO outlet, to two companies forming part of the Dizz Group. Furthermore, on 17 January 2020, the Company entered into a lease agreement with a third party to operate a retail unit within D Mall, a shopping and commercial centre located in Tigne Point, Sliema for a period of 15 years, that can be further extended. The project is still under development and it is expected to be finalized during 2020.

- A 15 year agreement with Center Parc Holding Limited located in Triq it-Tigrija, Qormi, that can be further extended. As at the end of the reporting period, the Company had subleased all the six retail units at its disposal.

  Three of these units have been subleased to related companies within the Dizz Group, operating a Café Pascucci outlet, Terranova outlet and Guess outlet. The other three unites were subleased to third parties.

- Leasing of two owned properties: (i) Laguna Apartment 206, Portomaso, Spinola and (ii) Flat 13, Waterside Apartments and Flat 6, Byron Court, Ix-Xatt ta' Qui Si Sana, Sliema.

The D Shopping Malls Limited's subsidiary, D Shopping Malls Finance P.L.C.'s principal activity, is to act as a finance company and its business is limited to the raising of capital and the lending of such capital to the Guarantor, the collection of interest from the Guarantor and the settlement of interest payable on capital raised from third parties. The activities of the company are expected to remain consistent for the foreseeable future.

D Shopping Malls Finance P.L.C., being a public limited company, has issued € 7,500,000 5.35% Unsecured Bonds on 1 October 2018 on Prospects MTF. These Bonds are repayable at par on 28 October 2028. The Bond proceeds were advanced by way of a loan to the Guarantor and subsequently been allocated to the projects as per the Company Admission Document.

***Review of Business***

During the period under review the Group registered a loss before tax of € 246,445. Revenue of the Group is derived from leasing of immovable property amounting to € 205,393 of which € 76,000 is derived from property owned by the Group and € 129,393 is derived from leased properties. The impact with respect to the introduction of IFRS 16 – Leases can be observed in note 13 to these financial statements.

**Report of the Directors (continued)**
For the period 23 July 2018 to 31 December 2019

### *Principal Risks and Uncertainties*

D Shopping Malls Finance P.L.C. ("Issuer") is mainly dependant on the business prospects of the D Shopping Malls Limited ("the Guarantor"), and consequently, the operating results of D Shopping Malls Limited have a direct effect on the Company's Consolidated financial position and performance, including the ability of D Shopping Malls Finance P.L.C. to services its payment obligations under the issued bonds. D Shopping Malls Limited ability to generate Cash Flows and earnings 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.

### *Dividends and Reserves*

The Directors do not recommend the payment of a dividend.

### *Future Developments*

The Directors envisage that the D Malls Property situated in Tigne Point will be fully operational in year 2020 and all retail units will be ready to be sub-leased to related and third parties. This is expected to increase the revenue of the D Shopping Malls Limited.

### *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 notes 24.5 and 24.6 of the financial statements.

### *Post Balance Sheet Events*

The Directors evaluated subsequent events from 1 January 2020 through 14 April 2020, the date the company's financial statements are approved. The company's directors concluded that subsequent events have occurred as disclosed in note 26 in these financial statements.

### *Directors*

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

Ms Diane Izzo
Mr Karl Izzo

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

### *Directors' Interest*

The Directors do not hold direct shares in D Shopping Malls Limited as at 31 December 2019, however the Directors are also the Ultimate Beneficial Owners of the Dizz Group of Companies Limited.

**Report of the Directors (continued)**
For the period 23 July 2018 to 31 December 2019

***Statement of Directors' Responsibilities***

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

- adopt the going concern basis unless it is inappropriate to presume that the Group and the holding company will continue in business;

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

- make judgements and estimates that are reasonable and prudent;

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

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

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

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

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

- the financial statements give a true and fair view of the financial position of the Group and the holding company at 31 December 2019, 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 Group and the holding company face.

**Report of the Directors (continued)**
For the period 23 July 2018 to 31 December 2019

***Going Concern Statement***

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

***Auditors***

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

BY ORDER OF THE BOARD

Ms Diane Izzo
Director

Mr Karl Izzo
Director

14 April 2020

D SHOPPING MALLS LIMITED – CONSOLIDATED ACCOUNTS

**Independent Auditors' Report**

To the shareholders of D Shopping Malls Limited

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

We have audited the accompanying consolidated financial statements of D Shopping Malls Limited (the holding company), set out on pages 9 to 48, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

**Opinion**

In our opinion, the consolidated financial statements fairly present, in all material respects the financial position of the Group and the holding company as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386).

**Basis for Opinion**

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

**Key Audit Matters**

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



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**Independent Auditors' Report (continued)**

**Key Audit Matters (continued)**

***Bond Loan***

As at 31 December 2019 the Company held Euro 7,500,000 in Bonds having a coupon rate of 5.35% to the general public through Prospects markets and these were fully subscribed. During the audit process we ascertained ourselves that the proceeds from the Bond were being utilised as per the admission document. The results of our testing were satisfactorily, and we concur that the Bond proceeds and usage are disclosed in the audited accounts accordingly.

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

**Other Information**

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

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the 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 period for which the financial statements are prepared is consistent with the financial statements; and

- the Report of the Directors has been prepared in accordance with the Companies Act (Cap.386).

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

**Responsibilities of the Directors**

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

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



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**Independent Auditors' Report (continued)**

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



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**Independent Auditors' Report (continued)**

**Report on Other Legal and Regulatory Requirements**

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

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received.
- 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

14 April 2020



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Morison KSi
Independent member

**Consolidated Statement of Comprehensive Income**
For the period 23 July 2018 to 31 December 2019

| | Notes | **Group** 2019 (17 months) € | **Company** 2019 (17 months) € |
|---|---|---|---|
| **Revenue** | 5 | 205,393 | 205,393 |
| Direct costs | | (250,523) | (250,523) |
| **Gross loss** | | (45,130) | (45,130) |
| **Other income** | 6 | 628,920 | 628,920 |
| Administration expenses | | (201,470) | (207,211) |
| Finance costs | 7 | (631,877) | (626,170) |
| Finance income | 8 | 3,112 | - |
| **Loss before tax** | 9 | (246,445) | (249,591) |
| Income tax | 10 | (120,939) | (120,939) |
| **Loss for the period** | | (367,384) | (370,530) |
| **Total comprehensive loss for the period** | | (367,384) | (370,530) |

**Consolidated Statement of Comprehensive Income (continued)**
For the period 23 July 2018 to 31 December 2019

| | Notes | **Group** 2019 (17 months) € | **Company** 2019 (17 months) € |
|---|---|---|---|
| **Loss for the period attributable to:** | | | |
| Owners of Company | 18 | (367,384) | (370,530) |
| Non-controlling interest | | - | - |
| | | (367,384) | (370,530) |
| **Total comprehensive loss for the period attributable to:** | | | |
| Owners of Company | 18 | (367,384) | (370,530) |
| Non-controlling interest | | - | - |
| | | (367,384) | (370,530) |
| **Loss per share** | 11 | (0.51) | (0.51) |

**Consolidated Statement of Financial Position**
As at 31 December 2019

| | Notes | Group 2019 € | Company 2019 € |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 2,100,644 | 2,111,616 |
| Right of use asset | 13 | 10,838,177 | 10,838,177 |
| Investment property | 14 | 3,600,000 | 3,600,000 |
| Investment in subsidiaries | 15 | - | 49,999 |
| Deferred tax asset | 10 | 88,041 | 88,041 |
| **Total non-current assets** | | 16,626,862 | 16,687,833 |
| Trade and other receivables | 16 | 358,697 | 1,766,340 |
| **Total current assets** | | 358,697 | 1,766,340 |
| **Total assets** | | 16,985,559 | 18,454,173 |
| **Equity** | | | |
| Issued capital | 17 | 721,200 | 721,200 |
| Retained earnings | 18 | (367,384) | (370,530) |
| Non-controlling interest | 19 | 1 | - |
| **Total equity** | | 353,817 | 350,670 |

**Consolidated Statement of Financial Position (continued)**
As at 31 December 2019

| | Notes | Group 2019 € | Company 2019 € |
|---|---|---|---|
| **Liabilities** | | | |
| Lease liabilities | 20 | 7,667,295 | 7,667,295 |
| Borrowings | 21 | 7,426,958 | - |
| Loan payable | 22 | - | 7,417,230 |
| Deferred tax liabilities | 10 | 208,980 | 208,980 |
| **Total non-current liabilities** | | 15,303,233 | 15,293,505 |
| Trade and other payables | 23 | 959,307 | 2,451,215 |
| Lease liabilities | 20 | 350,637 | 350,637 |
| Borrowings | 21 | 18,565 | 8,146 |
| **Total current liabilities** | | 1,328,509 | 2,809,998 |
| **Total liabilities** | | 16,631,742 | 18,103,503 |
| **Total equity and liabilities** | | 16,985,559 | 18,454,173 |

The consolidated financial statements set out on pages 9 to 48 were approved and authorised for issue by the Board on 14 April 2020 and were signed on its behalf by:

Ms Diane Izzo
Director

Mr Karl Izzo
Director

**Consolidated Statement of Changes in Equity**
For the period 23 July 2018 to 31 December 2019

## Group

| | Issued capital € | Retained earnings € | Non-controlling interest € | Total € |
|---|---|---|---|---|
| **Changes in equity for the period** | | | | |
| Issue of share capital | 721,200 | - | - | 721,200 |
| Loss for the period | - | (367,384) | - | (367,384) |
| Minority share capital of subsidiary acquired | - | - | 1 | 1 |
| **Balance at 31 December 2019** | 721,200 | (367,384) | 1 | 353,817 |

## Company

| | Issued capital € | Retained earnings € | Total € |
|---|---|---|---|
| **Changes in equity for the period** | | | |
| Issue of share capital | 721,200 | - | 721,200 |
| Loss for the period | - | (370,530) | (370,530) |
| **Balance at 31 December 2019** | 721,200 | (370,530) | 350,670 |

**Consolidated Statement of Cash Flows**
For the period 23 July 2018 to 31 December 2019

| | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|
| **Cash flows from/(used in) operating activities** | | |
| Loss for the period | (246,445) | (249,591) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 84,648 | 84,648 |
| Amortisation right of use asset | 148,455 | 148,455 |
| Revaluation of investment property | (628,920) | (628,920) |
| Interest expense | 382,994 | 382,990 |
| Interest payable to subsidiary | - | 242,424 |
| Bond interest payable | 236,807 | - |
| Amortisation of bond issue costs | 9,728 | - |
| Operating loss before working capital changes: | (12,733) | (19,994) |
| Movement in trade and other receivables | (358,697) | (344,274) |
| Movement in trade and other payables | 632,584 | 613,785 |
| Net cash generated from working capital changes | 261,154 | 249,517 |
| Bond interest paid | (401,250) | - |
| Bank interest paid | (7) | (3) |
| Interest paid to subsidiary | - | (488,196) |
| Net cash used in operating activities | (140,103) | (238,682) |

**Consolidated Statement of Cash Flows (continued)**
For the period 23 July 2018 to 31 December 2019

| | Note | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|---|
| **Cash flows from/(used in) investing activities** | | | |
| Payments for property, plant and equipment | | (1,950,492) | (1,950,492) |
| Acquisition of investment in subsidiary | | - | (49,999) |
| Payments to acquire investment property | | (2,251,080) | (2,251,080) |
| Net cash used in investing activities | | (4,201,572) | (4,251,571) |
| **Cash flows from/(used in) financing activities** | | | |
| (Advances to)/Proceeds from related party companies | | (859,914) | 7,814,515 |
| Proceeds from related party | | 18,079 | 18,079 |
| Proceeds on issue of share capital | | 1,200 | 1,200 |
| Repayment of lease liabilities | | (2,253,486) | (3,351,687) |
| Net proceeds from bond Issue | | 7,417,230 | - |
| Non-controlling interest | | 1 | - |
| Net cash generated from financing activities | | 4,323,110 | 4,482,107 |
| Net movement in cash and cash equivalents | | (18,565) | (8,146) |
| Cash and cash equivalents at beginning of period | | - | - |
| **Cash and cash equivalents at end of period** | 21 | (18,565) | (8,146) |

**Notes to the Consolidated Financial Statements**
For the period 23 July 2018 to 31 December 2019

## 1 REPORTING ENTITY AND OTHER INFORMATION

D Shopping Malls Limited (the Company) is a limited liability company incorporated in Malta on 13 August 2018. Its ultimate controlling party is Dizz Group of Companies Limited. The registered office of the Company, is disclosed in the introduction to the annual report. The Group's structure is further described in note 15.

These financial statements are presented in Euro.

### 1.1 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 14 April 2020.

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

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

**Standards and interpretations applied during the current period**

Amendments and interpretations applicable for the first time in 2019 shown here under have been implemented. The application of the below standards and interpretations do not have an impact on the consolidated financial statements of the Group.

| **Standard** | **Subject of amendment** | **Effective date** |
|---|---|---|
| | | |
| *IFRS 3 Business Combinations* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (remeasurement of previously held interest) | 1 January 2019 |
| | | |
| *IFRS 9 Financial Instruments* | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | 1 January 2019 |
| | | |
| *IFRS 11 Joint Arrangements* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (remeasurement of previously held interest) | 1 January 2019 |
| | | |
| *IFRS 16 Leases* | Original issue | 1 January 2019 |
| | | |
| *IAS 12 Income Taxes* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (income tax consequences of dividends) | 1 January 2019 |
| | | |
| *IAS 19 Employee Benefits* | Amendments regarding plan amendments, curtailments or settlements | 1 January 2019 |
| | | |
| *IAS 23 Borrowing Costs* | Amendments resulting from *Annual Improvements 2015–2017 Cycle* (borrowing costs eligible for capitalization) | 1 January 2019 |
| | | |
| *IAS 28 Investments in Associates and Joint Ventures* | Amendments regarding long-term interests in associates and joint ventures | 1 January 2019 |

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

**Standards issued but not yet effective**

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

| Standard | Subject of amendment | Effective date |
|---|---|---|
| | | |
| *IFRS 3 Business Combinations* | Amendments to clarify the definition of a business | 1 January 2020 |
| | | |
| *IFRS 7 Financial Instruments: Disclosures* | Amendments regarding pre-replacement issues in the context of the IBOR reform | 1 January 2020 |
| | | |
| *IFRS 9 Financial Instruments* | Amendments regarding pre-replacement issues in the context of the IBOR reform | 1 January 2020 |
| | | |
| *IFRS 17 Insurance Contracts* | Original issue | 1 January 2023 |
| | | |
| *IAS 1 Presentation of Financial Statements* | Amendments regarding the definition of material | 1 January 2020 |
| | | |
| *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* | Amendments regarding the definition of material | 1 January 2020 |

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

## 3 ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, except for those assets and liabilities that are measured at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's and the Group's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

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

### 3.2 BASIS OF CONSOLIDATION

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

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

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

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.2 BASIS OF CONSOLIDATION (continued)

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

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

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

### 3.3 REVENUE RECOGNITION

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

#### 3.3.1 Rental Income

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

#### 3.3.2 Dividends and interest income

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.4 LEASES

#### 3.4.1 The Group as a Lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either identified in the contract or implicitly specified by being identified at the time asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group amortises the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

## 3 ACCOUNTING POLICIES (continued)

### 3.4 LEASES (continued)

### 3.4.2 The Group as a Lessor

As a lessor the Group 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 Group 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 based 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.

See note 13 in the period-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element is charged to profit or loss, as finance costs over the period of the lease.

**Operating Leases**

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

### 3.4.3 The Group as Lessor

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

### 3.4.4 The Group as Lessee

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

## 3 ACCOUNTING POLICIES (continued)

### 3.5 FOREIGN CURRENCY AMOUNTS

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

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

### 3.6 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.

### 3.7 TAXATION

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

#### 3.7.1 Current Tax

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.7 TAXATION (continued)

#### 3.7.2 Deferred Tax

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

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

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

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

#### 3.7.3 Current and deferred tax for the period

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

## 3 ACCOUNTING POLICIES (continued)

### 3.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Freehold land is not depreciated.

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

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

The annual rates used:

| | % |
|---|---|
| Furniture and fittings | 10 |
| Improvements to premises | 10 |
| Electrical installations | 6.67 |
| Office equipment | 25 |
| Air-condition | 16.67 |

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.

## 3 ACCOUNTING POLICIES (continued)

### 3.8 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.

### 3.9 INVESTMENT PROPERTY

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

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

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

### 3.10 IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 3 ACCOUNTING POLICIES (continued)

### 3.11 FINANCIAL INSTRUMENTS

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

### 3.12 FINANCIAL ASSETS

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

#### 3.12.1 Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

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

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

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

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

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.12 FINANCIAL ASSETS (continued)

#### 3.12.2 Write off policy

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

#### 3.12.3 Impairment of financial assets

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

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### 3.12.4 Derecognition of financial assets

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

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

## 3 ACCOUNTING POLICIES (continued)

### 3.12 FINANCIAL ASSETS (continued)

#### 3.12.4 Derecognition of financial assets (continued)

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

### 3.13 FINANCIAL LIABILITIES

#### 3.13.1 Initial recognition and measurement

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

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

#### 3.13.2 Subsequent measurement

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

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

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

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

#### 3.13.3 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

## 3 ACCOUNTING POLICIES (continued)

### 3.13 FINANCIAL LIABILITIES (continued)

#### 3.13.3 Loans and borrowings (continued)

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

#### 3.13.4 Derecognition

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

### 3.14 PROVISIONS

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

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

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

### 3.15 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as liability in the period in which they are declared.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

## 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements

4.1.1 Capitalisation of borrowing costs

As described in note 3, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction of the Group's premises in D Shopping Malls Limited – Tigne Mall and Center Parc projects.

4.1.2 Deferred taxation on investment properties (owned properties)

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

4.1.3 Deferred taxation on investment properties (leased properties)

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

### 4.2 Key sources of estimation uncertainty

4.2.1 Fair value measurements and valuation processes

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 12 and 14.

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 5 REVENUE

The Group derives its revenue as disclosed in note 3.3 and as per below

| | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|
| Rental income from owned properties | 76,000 | 76,000 |
| Rental income from leased properties | 129,393 | 129,393 |
| | 205,393 | 205,393 |

## 6 OTHER INCOME

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

| | Group 2019 (17 months) | Company 2019 (17 months) |
|---|---|---|
| Gains on revaluations of investment property | € 628,920 | € 628,920 |

## 7 FINANCE COSTS

| | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|
| Finance interest on finance lease | 382,987 | 382,987 |
| Interest payable to related company | - | 242,424 |
| Bank interest | 7 | 3 |
| Bank charges | 1,877 | 756 |
| Bond Interest | 236,807 | - |
| Bondholder amendments | 471 | - |
| Amortisation of bond issue costs | 9,728 | - |
| | 631,877 | 626,170 |

## 8 FINANCE INCOME

| | Group 2019 (17 months) | Company 2019 (17 months) |
|---|---|---|
| Bank Interest Receivable | € 3,112 | € - |

## 9 LOSS BEFORE TAX

| | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|
| Loss before tax is stated after charging: | | |
| Auditors' remuneration | 12,000 | 4,000 |
| Directors' remuneration | 8,167 | - |
| Depreciation of property, plant and equipment | 84,648 | 84,648 |
| Amorisation right of use asset | 148,455 | 148,455 |

## 10 INCOME TAX

### 10.1 Income tax recognised in statement of comprehensive income

| | Group 2019 (17 months) € | Company 2019 (17 months) € |
|---|---|---|
| Current tax: | | |
| In respect of current period | - | - |
| Deferred tax: | | |
| Immovable property | 208,980 | 208,980 |
| Capital allowances and tax losses | (88,041) | (88,041) |
| | 120,939 | 120,939 |
| Total income tax expense recognised in the current period | 120,939 | 120,939 |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 10 INCOME TAX (continued)

### 10.1 Income tax recognised in statement of comprehensive income (continued)

The income tax expense for the period can be reconciled to the accounting loss as follows:

| | **Group** 2019 (17 months) € | **Company** 2019 (17 months) € |
|---|---|---|
| Loss before tax | (246,445) | (249,591) |
| Theoretical taxation expense at 35% | (86,256) | (87,357) |
| Group loss relief | 210,187 | 219,091 |
| Deferred tax on capitalization of interest | 3,840 | - |
| Revaluation gain on investment property | (220,122) | (220,122) |
| Deferred tax on property | 208,980 | 208,980 |
| Disallowable expenses | 4,310 | 347 |
| | 120,939 | 120,939 |

### 10.2 Deferred tax balances in statement of financial position

| | **Group** 2019 € | **Company** 2019 € |
|---|---|---|
| Deferred tax asset | 88,041 | 88,041 |
| Deferred tax liabilities | (208,980) | (208,980) |
| | (120,939) | (120,939) |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 10 INCOME TAX (continued)

### 10.3 Deferred tax balances

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

| 2019 | Opening balance € | Recognised in profit or loss € | Recognised in other comprehensive income € | Other € | Closing balance € |
|---|---|---|---|---|---|
| Immovable property | - | (208,980) | - | - | (208,980) |
| Property, plant and equipment | - | 88,041 | - | - | 88,041 |
| | - | (120,939) | - | - | (120,939) |
| Tax losses | - | 58,414 | - | - | 58,414 |
| Capital allowances | - | 29,627 | - | - | 29,627 |
| Investment property | - | (208,980) | - | - | (208,980) |
| | - | (120,939) | - | - | (120,939) |

## 11 LOSS PER SHARE

| | Group 2019 (17 months) | Company 2019 (17 months) |
|---|---|---|
| Loss per share | € (0.51) | € (0.51) |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 12 PROPERTY, PLANT AND EQUIPMENT – GROUP

| | Improvements to premises € | Air-conditioning € | Furniture and fittings € | Office equipment € | Electrical Installations € | Total € |
|---|---|---|---|---|---|---|
| Cost/Revalued amount | | | | | | |
| At 23 July 2018 | - | - | - | - | - | - |
| Additions | 1,166,289 | 281,740 | 405,863 | 15,249 | 316,151 | 2,185,292 |
| At 31 December 2019 | 1,166,289 | 281,740 | 405,863 | 15,249 | 316,151 | 2,185,292 |
| Depreciation | | | | | | |
| At 23 July 2018 | - | - | - | - | - | - |
| Charge for the period | - | 46,957 | 33,879 | 3,812 | - | 84,648 |
| At 31 December 2019 | - | 46,957 | 33,879 | 3,812 | - | 84,648 |
| Carrying amounts | | | | | | |
| At 31 December 2019 | 1,166,289 | 234,783 | 371,984 | 11,437 | 316,151 | 2,100,644 |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 12 PROPERTY, PLANT AND EQUIPMENT – COMPANY

| | Electrical installations | Improvements to premises | Furniture and fittings | Office equipment | Air-condition | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| Cost | | | | | | |
| At 23 July 2018 | - | - | - | - | - | - |
| Additions | 316,151 | 1,177,261 | 405,863 | 15,249 | 281,740 | 2,196,264 |
| At 31 December 2019 | 316,151 | 1,177,261 | 405,863 | 15,249 | 281,740 | 2,196,264 |
| Depreciation | | | | | | |
| At 23 July 2018 | - | - | - | - | - | - |
| Charge for the period | - | - | 33,879 | 3,812 | 46,957 | 84,648 |
| At 31 December 2019 | - | - | 33,879 | 3,812 | 46,957 | 84,648 |
| Carrying amounts | | | | | | |
| At 31 December 2019 | 316,151 | 1,177,261 | 371,984 | 11,437 | 234,783 | 2,111,616 |

## 13 LEASES - RIGHT OF USE ASSETS

### GROUP

| | Buildings € | Total € |
|---|---|---|
| Cost | | |
| At 23 July 2018 | - | - |
| Additions | 10,986,632 | 10,986,632 |
| At 31 December 2019 | 10,986,632 | 10,986,632 |
| Amortisation | | |
| At 23 July 2018 | - | - |
| Charge for the period | 148,455 | 148,455 |
| At 31 December 2019 | 148,455 | 148,455 |
| Carrying amounts | | |
| At 31 December 2019 | 10,838,177 | 10,838,177 |
| Amounts recognised in profit or loss | | |
| Amortisation expense on right of use assets | 148,455 | 148,455 |
| Interest expense on lease liabilities | 382,987 | 382,987 |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 13 LEASES - RIGHT OF USE ASSETS (continued)

### COMPANY

| | Buildings € | Total € |
|---|---|---|
| Cost | | |
| At 23 July 2018 | - | - |
| Additions | 10,986,632 | 10,986,632 |
| At 31 December 2019 | 10,986,632 | 10,986,632 |
| Amortisation | | |
| At 23 July 2018 | - | - |
| Charge for the period | 148,455 | 148,455 |
| At 31 December 2019 | 148,455 | 148,455 |
| Carrying amounts | | |
| At 31 December 2019 | 10,838,177 | 10,838,177 |
| Amounts recognised in profit or loss | | |
| Amortisation expense on right of use assets | 148,455 | 148,455 |
| Interest expense on lease liabilities | 382,987 | 382,987 |

## 14 INVESTMENT PROPERTY

| | Group 2019 € | Company 2019 € |
|---|---|---|
| Cost/revalued amount | | |
| Additions at cost | 2,971,080 | 2,971,080 |
| Revaluation | 628,920 | 628,920 |
| At 31 December 2019 | 3,600,000 | 3,600,000 |

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

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

| **Group/Company** | Fair value € |
|---|---|
| 2019 | |
| Residential units situated at: | |
| Laguna Apartment 206, Portomaso, Spinola | 1,900,000 |
| Flat 13, Waterside Apartments, Ix-Xatt ta' Qui Si Sana, Sliema | 966,000 |
| Flat 6, Byron Court, Ix-Xatt ta' qui si sana, Sliema | 734,000 |
| | 3,600,000 |

### 14.2 Assets pledged as security

Land and buildings with a carrying amount of approximately € 3,600,000 have been pledged to secure borrowings of the Dizz Group of Companies Limited. The land and buildings have been pledged as security for bank overdraft.

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 15 INVESTMENTS IN SUBSIDIARIES

The investment in group undertakings is as follows:

| | Group € |
|---|---|
| Cost | |
| Additions | - |
| At 31 December 2019 | - |

| | Company € |
|---|---|
| Cost | |
| Additions | 49,999 |
| At 31 December 2019 | 49,999 |

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

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting power held |
|---|---|---|---|
| | | | 2019 |
| D Shopping Malls Finance PLC | Finance | Dizz Buildings<br>Carob Street<br>St. Venera | 99.99% |

**Financial Support:**

During the period ended 31 December 2019, D Shopping Malls Finance P.L.C. issued € 7,500,000 5.35% unsecured bonds to the general public. These bonds were fully subscribed and admitted on Prospects MTF on the Malta Stock Exchange. These funds were advanced by way of a loan to D Shopping Malls Limited who in turn acquired property, plant and equipment. Interest rates charged within the Group on such loans will be charged accordingly.

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 16 TRADE AND OTHER RECEIVABLES

| | Group 2019 € | Company 2019 € |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade receivables | 67,163 | 67,163 |
| Other receivables | 273,917 | 266,397 |
| Prepayments | 17,617 | 10,714 |
| Amounts due from related parties (note) | - | 1,422,066 |
| | 358,697 | 1,766,340 |

Note:

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

## 17 ISSUED CAPITAL

| | Company 2019 € |
|---|---|
| Authorised | |
| 1,400,000 ordinary shares of €1 each | 1,400,000 |
| Called-up, issued and fully paid | |
| 721,200 ordinary shares of €1 each | 721,200 |

## 18 RETAINED EARNINGS

| **Group** | 2019 € |
|---|---|
| At 23 July 2018 | - |
| Loss for the period attributable to owners | (367,384) |
| At 31 December 2019 | (367,384) |

| **Company** | 2019 € |
|---|---|
| At 23 July 2018 | - |
| Loss for the period | (370,530) |
| At 31 December 2019 | (370,530) |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 19 NON-CONTROLLING INTEREST

| **Group** | 2019<br>€ |
|---|---|
| At 23 July 2018 | - |
| Loss for the period attributable to Non - Controlling Interest | - |
| Share capital on acquisition of subsidiary | 1 |
| At 31 December 2019 | 1 |

| **Company** | |
|---|---|
| At 23 July 2018 | - |
| Loss for the period | - |
| At 31 December 2019 | - |

## 20 LEASE LIABILITY

| | **Group**<br>2019<br>€ | **Company**<br>2019<br>€ |
|---|---|---|
| Amounts falling due within one year: | | |
| Lease liability | 350,637 | 350,637 |
| Amounts falling due after more than one year | | |
| Lease liability falling due between 2 and 5 years | 1,242,976 | 1,242,976 |
| Lease liability falling due after 5 years | 6,424,319 | 6,424,319 |
| | 7,667,295 | 7,667,295 |
| Total lease liability | 8,017,932 | 8,017,932 |

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 21 BORROWINGS

| | Note | Group 2019 € | Company 2019 € |
|---|---|---|---|
| Amounts falling due after one year: | | | |
| 5.35% Bonds 2028 | 21.1 | 7,426,958 | - |
| | | 7,426,958 | - |
| Amounts falling due within one year: | | | |
| Bank overdrawn | | 18,565 | 8,146 |
| Total borrowings | | 7,445,523 | 8,146 |

### 21.1 Summary of borrowing arrangements

During the period 23 July 2018 to 31 December 2019, D Shopping Malls Finance P.L.C. issued € 7,500,000, 5.35% unsecured bonds to the general public. These bonds were fully subscribed and admitted to Prospects MTF. Total proceeds from these bonds amounted to € 7,500,000. Total costs incurred by the D Shopping Malls Finance P.L.C. to issue the bonds amounted to € 82,770. These costs are being amortised in the Income Statement of the D Shopping Malls Finance P.L.C. over the period of the bond.

## 22 LOAN PAYABLE

| | Group 2019 | Company 2019 |
|---|---|---|
| Loan payable to subsidiary (note) | € - | € 7,417,230 |

Note –

The loan due to subsidiary carries an interest rate of 5.6% and is repayable according to a specified loan agreement.

## 23 TRADE AND OTHER PAYABLES

| | Group 2019 € | Company 2019 € |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade payables | 337,565 | 326,764 |
| Other payables | 27,000 | 27,000 |
| Accruals | 338,376 | 260,021 |
| Amounts due to related companies (note) | 238,287 | 1,819,351 |
| Amounts due to related party (note) | 18,079 | 18,079 |
| | 959,307 | 2,451,215 |

Note:

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

## 24 FINANCIAL INSTRUMENTS

### 24.1 Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts (borrowings as detailed in notes 21 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 17 to 19).

#### 24.1.1 Gearing ratio

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

| | Group 2019 € |
|---|---|
| Debt (i) | 7,445,523 |
| Cash and bank balances | - |
| Net debt | 7,445,523 |
| Equity (ii) | 353,817 |
| Net debt to equity ratio | 95.46% |

## 24 FINANCIAL INSTRUMENTS (continued)

### 24.1.1 Gearing ratio (continued)

Notes:

(i) Debt is defined as long-and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

### 24.2 Categories of financial instruments

| | Group 2019 |
|---|---|
| **Financial assets** | |
| Receivables | € 341,080 |

### 24.3 Financial risk management objectives

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

### 24.4 Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Group has fixed and variable interest-bearing liabilities. Fixed interest-bearing liabilities consists of 5.35% Bonds issued to the general public whilst exposure to variable interest-bearing liabilities consists of bank overdrafts. As at the consolidated statement of financial position date, the Group's exposure to changes in interest rates on bank overdrafts held with financial institutions was limited as the level of borrowings with variable interest-bearing liabilities is immaterial with the level of borrowing with a fixed rate interest rate.

## 24 FINANCIAL INSTRUMENTS (continued)

### 24.5 Credit risk

Credit risk arises from credit exposure to customers and amounts held with financial institutions (note 16). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

| | Group<br>2019<br>€ |
|---|---|
| Trade and other receivables | 341,080 |
| Cash at bank and in hand | - |
| | 341,080 |

With respect to amounts receivable arising from rental income, the Group assesses on an ongoing basis the credit quality of the third party tenants, taking into account financial position, past experience and other factors. The Group manages credit limits and exposures actively in a practical manner such that there are no material past due amounts receivable from third party tenants as at the reporting date. The Group has no significant concentration of credit risk arising from third parties. As at 31 December 2019 no trade receivables were impaired.

### 24.6 Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (notes 21,22 and 23). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

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

| | Carrying amounts<br>€ | Contractual cash flows<br>€ | On demand<br>€ | Within one year<br>€ | Between two and five years<br>€ | After five years<br>€ |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| Bank overdrawn | 18,565 | 18,565 | 18,565 | 18,565 | - | - |
| Trade and other payables | 337,565 | 337,565 | 337,565 | 337,565 | - | - |
| Bond | 7,426,958 | 11,111,250 | 401,250 | 1,605,000 | 1,605,000 | 9,105,000 |
| | 7,783,089 | 11,467,380 | 757,380 | 1,961,130 | 1,605,000 | 9,105,000 |

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

**Notes to the Consolidated Financial Statements (continued)**
For the period 23 July 2018 to 31 December 2019

## 25 RELATED PARTY TRANSACTIONS

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

### 25.1 Compensation of key management personnel

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

| | **Group** 2019 |
|---|---|
| Directors' remuneration | € 8,167 |

### 25.2 (Loans to)/loans from related parties

| | **Group** 2019 € |
|---|---|
| Amounts due to related companies | (238,287) |
| Amounts due to related party | (18,079) |

| | **Company** 2019 € |
|---|---|
| Amounts due from related companies | 1,422,066 |
| Amounts due to related companies | (1,819,351) |
| Loan payable to subsidiary | (7,417,230) |
| Amounts due to related party | (18,079) |

## 26 EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the worldwide outbreak of the COVID-19 is effecting adversely the general economic conditions. It is difficult to determine and quantify the financial effects and the consequent impact on future results, projections and profitability of the company.