

D I Z Z

FINANCE PLC

Financial Statements of the Company's Guarantor

Date of Announcement

27th April 2021

The following is a company announcement issued by Dizz Finance p.l.c. (C71189), hereinafter the "Company" of Dizz Buildings, Carob Street, Santa Venera, Malta, pursuant to the Listing Rules issued by the Listing Authority:

QUOTE

The Board of Directors of the Company announces that it has approved the Financial Statements of the Company's Guarantor, DIZZ Group of Companies Limited, for the year ended 31st December 2020.

The said financial statements are herewith attached.

UNQUOTE



Dr Ian Vella Galea
Company Secretary

DZF62

DIZZ GROUP OF COMPANIES LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended 31 December 2020

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Holding Company Information

Directors : Ms Diane Izzo
Mr Karl Izzo (appointed on 13 June 2020)
Mr Jean Paul Muscat (resigned on 13 June 2020)
Mr Edwin Pisani (resigned on 13 June 2020)

Secretary : Ms Diane Izzo

Company number : C 64435

Registered office : Dizz Buildings
Triq il-Harruba
Santa Venera

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

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

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Report of the Directors

For the year ended 31 December 2020

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

Principal Activity

Dizz Group of Companies Limited (the 'Company') together with its subsidiaries (the 'Group') is involved in the sale of fashion-related items and food and beverages and operates the following key brands Max & Co, Elisabetta Franchi, Liu Jo, Guess, Paul & Shark, Harmont & Blaine, Terranova, Calliope, Golden Point, Philip Plein, Michael Kors, Versace, Chiara Ferragni, DSquared, Moschino, Pinko, Aqua Azurra, Kiko, Nespresso, Caffè Pascucci, Salad Box and Pastrocchio. The Group is also involved in acquiring and/or leasing property and sub-leasing such property to companies within the Group or to third parties.

The Group includes three subsidiaries, Dizz Finance PLC, D Shopping Malls Finance PLC and D Foods Finance PLC, whose primary objective is to raise finance for the different pillars of the Group. Dizz Finance P.L.C. issued €8,000,000 5% Unsecured Bonds on 28 September 2016, repayable at par on 7 October 2026; D Shopping Malls Finance PLC issued €7,500,000 5.35% Unsecured Bonds on 1 October 2018 on Prospects MTF, repayable at par on 28 October 2028 and D Foods Finance PLC issued a €10,000,000 Convertible Notes Programme on 21 July 2020 on IFSM.

Review of Business

The year 2020 has been a challenging year. At a global level, the COVID-19 pandemic has disrupted business, but has also fundamentally altered the way, as well as the place from which business is conducted. In view of sharp economic downturn and the threat of massive unemployment, the government launched particular schemes to immediately address the shortage of liquidity. In this respect, the Group availed itself of the COVID-19 Wage Supplement Scheme, the Rent Refund Scheme and the Electricity Refund Scheme made available by Malta Enterprise and the MDB COVID-19 Guarantee Scheme whereby it obtained additional finance of €2 million to finance the cash shortfall encountered by the Group.

Furthermore, during the year, the Group commenced a corporate restructuring exercise aimed at streamlining operations of the subsidiaries into four key pillars: retail, food and beverage, property and financing. As part of this exercise, the Group incorporated D Foods Finance PLC as the holding company of the food and beverage arm of the Group, and raised €3,000,000 Notes as the First Tranche of its base programme. Furthermore, as part of this transaction and in a bid to further consolidate its food and beverage side of business, the Group acquired DK Pascucci Limited, DCaffè Holding Limited, D Kitchen Lab Limited and Xilema Limited.

Despite the pandemic, the Group completed works at D Mall in Tigne Point, Sliema and by the end of the year, eight outlets were leased out to related or third parties, with one outlet and office space remaining vacant at the end of the year. The outlet will be completed and opened towards mid/end year 2021.

Whilst this additional finance has bridged the cash shortfalls encountered by the Group, during the year under review the Group registered a loss before tax of €5.3 million (2019 : €2.3 million) and other comprehensive income of EUR 973,968. The loss for the year is principally attributable to a reduction in revenue of 8% from €14,027,847 in 2019 to €12,912,280 in 2020, which is equivalent to a reduction of 8%, as well as lower gross profit margins registered by the Group.

Report of the Directors (continued)

For the year ended 31 December 2020

Principal Risks and Uncertainties

The Company's principal activity is that of a holding company, and therefore it is dependent on the business prospects of its subsidiaries, and consequently, the operating results of the subsidiaries have a direct effect on the Company's financial position and performance.

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

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

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

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

Dividends and Reserves

The Directors do not recommend the payment of a dividend.

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 29.4 and 29.5 of the financial statements.

Events Subsequent to the Statement of Financial Position Date

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

Directors

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

Ms Diane Izzo

Mr Karl Izzo (appointed on 13 June 2020)

Mr Jean Paul Muscat (resigned on 13 June 2020)

Mr Edwin Pisani (resigned on 13 June 2020)

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

Report of the Directors (continued)

For the year ended 31 December 2020

Directors' Interest

The Directors' beneficial interest in the shares of the Company at 31 December 2020 is equal to 3,859,596 ordinary shares having a nominal value of €1 each held by Ms Diane Izzo and Mr Karl Izzo.

Statement of Directors' Responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the holding company to enable them to ensure that the financial statements comply with the Companies Act (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 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 Group and the holding company as at 31 December 2020, and of the financial performance and the cash flows for the year 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.

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 Group and the holding company have 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.

Report of the Directors (continued)

For the year ended 31 December 2020

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

27 April 2021



Mr Karl Izzo
Director

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report

To the shareholders of Dizz Group of Companies Limited

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dizz Group of Companies Limited (the Holding Company) and of the Group of which it is the parent, set out on pages 10 to 60, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to the fact that the Group operates in the retail and catering industry. Due to the COVID-19 outbreak, these industries were negatively affected and had to deal with government-imposed restrictions on all operations. During the period under review, the Group presented consolidated losses before tax of EUR 5,295,264 and other comprehensive income of EUR 973,968. By consequence, an uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

Independent Auditors' Report (continued)**Key Audit Matters**

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

Inventory valuation and provisions

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

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

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

Revenue

The Group generates its revenue from the sale of fashion-related items and food and beverages operating under the various franchise names as detailed in these accounts. We have identified revenue as a key audit matter since most of the sales to the end customers are made in cash.

We obtained an understanding of the methodology used by management to arrive at revenue recognition as well as the handling of cash proceeds generated from the end of day report to the time it is deposited in the bank account of the subsidiaries. Based on the audit work done we obtained sufficient audit evidence that the Group's revenue for the year ended 31 December 2020 is not materially misstated.

Independent Auditors' Report (continued)**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 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 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.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report (continued)**Responsibilities of the Directors (continued)**

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 that 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 relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

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

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



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

Balzan
Malta

27 April 2021

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Group		Company	
		2020 €	2019 €	2020 €	2019 €
Revenue	5	12,912,280	14,027,847	-	-
Cost of sales		(10,360,484)	(8,349,223)	-	-
Gross profit		2,551,796	5,678,624	-	-
Investment income	6	626,130	386,947	-	-
Other gains and losses	7	4,536,349	1,253,417	1,740,388	-
Marketing expenses		(384,632)	(466,149)	-	-
Administration expenses		(6,534,535)	(4,064,719)	(10,465)	(23,602)
Amortisation of intangible assets		(87,215)	(93,295)	-	-
Amortisation of right of use asset		(2,739,391)	(2,233,060)	-	-
Depreciation of property, plant and equipment		(1,395,701)	(1,029,095)	-	-
Finance costs	8	(1,868,065)	(1,720,885)	-	-
(Loss)/Profit before tax	9	(5,295,264)	(2,288,215)	1,729,923	(23,602)
Income tax	11	994,743	625,238	-	-
(Loss)/Profit for the year		(4,300,521)	(1,662,977)	1,729,923	(23,602)
Other Comprehensive Income, net of income tax					
Property revaluation		1,033,608	3,083,295	-	-
Deferred tax	11	(59,640)	(260,000)	-	-
Other Comprehensive Income for the year, net of income tax		973,968	2,823,295	-	-
Total Comprehensive (Loss)/Income for the year		(3,326,553)	1,160,318	1,729,923	(23,602)

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2020

		Group		Company	
	Notes	2020 €	2019 €	2020 €	2019 €
(Loss)/Profit for the year attributable to:					
Owners of Company		(3,326,553)	1,160,318	1,729,923	(23,602)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive (loss)/income for the year attributable to:					
Owners of Company		(3,326,553)	1,160,318	1,729,923	(23,602)
		<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/Earnings per share	12	(0.43)	(0.35)	0.22	(0.01)
		<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Financial Position

As at 31 December 2020

		Group		Company	
	Notes	2020 €	2019 €	2020 €	2019 €
Assets					
Property, plant and equipment	13	17,080,285	13,862,617	-	-
Investment property	14	6,166,302	5,506,969	-	-
Right of use assets	15	19,300,770	23,732,412	-	-
Intangible assets	16	800,965	888,180	-	-
Investment in subsidiaries	17	-	-	5,914,085	4,139,450
Deferred tax assets	11	2,154,226	823,756	-	-
Other financial assets	18	80,944	89,263	-	-
Other assets	19	70,000	97,250	-	-
Goodwill on investment in subsidiaries	17	4,425,592	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total non-current assets		50,079,084	45,000,447	5,914,085	4,139,450
		<hr/>	<hr/>	<hr/>	<hr/>
Inventories	20	3,886,571	5,375,735	-	-
Trade and other receivables	21	6,429,074	3,978,709	4,410,953	7,675
Cash and cash equivalents	22	902,071	448,252	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total current assets		11,217,716	9,802,696	4,410,953	7,675
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets		61,296,800	54,803,143	10,325,038	4,147,125
		<hr/>	<hr/>	<hr/>	<hr/>
Equity					
Issued capital	23	7,719,192	3,291,200	7,719,192	3,291,200
Other reserves	24	4,203,579	3,229,611	-	-
Retained earnings	25	(5,153,999)	(458,917)	1,652,573	(77,350)
		<hr/>	<hr/>	<hr/>	<hr/>
Total equity		6,768,772	6,061,894	9,371,765	3,213,850
		<hr/>	<hr/>	<hr/>	<hr/>

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

	Notes	Group		Company	
		2020 €	2019 €	2020 €	2019 €
Liabilities					
Borrowings	26	20,470,176	15,262,644	-	-
Lease liabilities	27	16,528,738	19,222,631	-	-
Trade and other payables	28	4,179,093	-	-	-
Deferred tax liabilities	11	820,975	664,423	-	-
Total non-current liabilities		41,998,982	35,149,698	-	-
Borrowings	26	1,876,523	2,219,685	22,812	1,413
Lease liabilities	27	1,351,841	1,997,810	-	-
Trade and other payables	28	8,584,817	8,777,592	930,461	931,862
Current tax liabilities	11	715,865	596,464	-	-
Total current liabilities		12,529,046	13,591,551	953,273	933,275
Total liabilities		54,528,028	48,741,249	953,273	933,275
Total equity and liabilities		61,296,800	54,803,143	10,325,038	4,147,125

The consolidated financial statements set out on pages 10 to 60 were approved and authorised for issue by the Board on 27 April 2021 and were signed on its behalf by:

Ms Diane Izzo
Director

Mr Karl Izzo
Director

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Group

	Issued capital €	Retained earnings €	Properties revaluation reserve €	Non- controlling interest €	Total €
Balance at 1 January 2019	3,290,000	1,402,697	406,316	-	5,099,013
Increase in share capital through merger	1,200	-	-	-	1,200
Adjustment arising from acquisition of new subsidiaries through merger	-	(206,394)	-	-	(206,394)
Adjustment arising from disposal of subsidiary	-	7,757	-	-	7,757
Loss for the year	-	(1,662,977)	-	-	(1,662,977)
Property revaluation, net of tax	-	-	2,823,295	-	2,823,295
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	3,291,200	(458,917)	3,229,611	-	6,061,894
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020	3,291,200	(458,917)	3,229,611	-	6,061,894
Increase in share capital	4,427,992	-	-	-	4,427,992
Adjustment arising from acquisition of new subsidiaries	-	(394,561)	-	-	(394,561)
Loss for the year	-	(4,300,521)	-	-	(4,300,521)
Property revaluation, net of tax	-	-	973,968	-	973,968
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	7,719,192	(5,153,999)	4,203,579	-	6,768,772
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Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

Company

	Issued capital €	Retained earnings €	Total €
Balance at 1 January 2019	3,290,000	(51,950)	3,238,050
Increase in share capital through merger	1,200	-	1,200
Adjustment to retained earnings arising from merger	-	(1,798)	(1,798)
Loss for the year	-	(23,602)	(23,602)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	3,291,200	(77,350)	3,213,850
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2020	3,291,200	(77,350)	3,213,850
Increase in share capital	4,427,992	-	4,427,992
Profit for the year	-	1,729,923	1,729,923
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	7,719,192	1,652,573	9,371,765
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DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	Group		Company	
		2020 €	2019 €	2020 €	2019 €
Cash flows from operating activities					
(Loss)/Profit for the year		(5,295,264)	(1,662,977)	1,729,923	(23,602)
Adjustments for:					
Income tax		(22,442)	(625,238)	-	-
Finance cost		1,829,957	1,685,325	-	-
Bond loan cost		(55,498)	-	-	-
Gain on disposal of investment property		(94,030)	-	-	-
COVID rent discount		(617,481)	-	-	-
Termination of lease		(61,858)	-	-	-
Gain from disposal of shares		-	-	(1,774,635)	-
Revaluation on investment property		(1,169,423)	-	-	-
Depreciation of property, plant and equipment		1,395,700	1,029,095	-	-
Amortisation of intangible assets		87,215	93,295	-	-
Amortisation of right of use assets		2,739,391	2,233,060	-	-
Amortisation of bond issue costs		38,108	32,558	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Operating (loss)/profit before working capital changes:		(1,225,625)	2,785,118	(44,712)	(23,602)
Movement in trade and other receivables		(2,678,824)	1,217,370	24,714	(4,196)
Movement in inventories		1,803,142	(527,457)	-	-
Movement in trade and other payables		3,301,192	1,679,455	(29,063)	9,204
		<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations		1,199,885	5,154,486	(49,061)	(18,594)
Interest on bank overdraft paid		(106,104)	(88,857)	-	-
Income tax paid		(23,624)	(183,083)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) operating activities		1,070,157	4,882,546	(49,061)	(18,594)
		<hr/>	<hr/>	<hr/>	<hr/>

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	Note	Group		Company	
		2020 €	2019 €	2020 €	2019 €
Cash flows from investing activities					
Acquisition of subsidiaries		(1,200)	-	-	-
Payments for property, plant and equipment		(2,520,558)	(2,471,179)	-	-
Proceeds from disposal of investment property		310,530	-	-	-
Payments for investment property		(204,052)	-	-	-
Payments to third party		-	(1,263)	-	-
Interest received		-	3,002	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in investing activities		(2,415,280)	(2,469,440)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Cash flows from financing activities					
Issue of share capital		2,400	-	-	-
Proceeds from bond notes		3,000,000	-	-	-
Proceeds from bank loan		1,949,201	-	-	-
(Advances to)/proceeds from related parties		(106,350)	(1,798,228)	27,662	17,181
Interest paid on Bonds		(801,250)	(801,250)	-	-
Payment of finance leases		(1,718,869)	(3,268,210)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) financing activities		2,325,132	(5,867,688)	27,662	17,181
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in cash and cash equivalents		980,009	(3,454,582)	(21,399)	(1,413)
Cash and cash equivalents at beginning of year		(1,771,433)	1,658,602	(1,413)	-
Adjustment for cash and cash equivalents of subsidiaries acquired by the Group		10,809	24,547	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year	22	(780,615)	(1,771,433)	(22,812)	(1,413)
		<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1 REPORTING ENTITY AND OTHER INFORMATION

Dizz Group of Companies Limited (the Company) is a limited liability company incorporated in Malta. Its ultimate controlling parties are Ms Diane Izzo and Mr Karl Izzo. The registered office of the Company is disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 17.

These financial statements are presented in Euro.

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

Brand	Subsidiary	Address
Liu - Jo	DK Fashion Co. Limited	Republic Street, Valletta
Liu - Jo	DK Fashion Co. Limited	Tigne Point Mall, Pjazza Tigne Sliema
Boggi	DK Fashion Co. Limited	Tigne Point Mall, Pjazza Tigne Sliema
Terranova	Dizz Limited	Bay Street Complex, St George's Road St Julians
Terranova	Dizz Limited	Tigne Point Mall, Pjazza Tigne Sliema
Terranova	Dizz Limited	Dun Karm Street, Birkirkara ByPass, Iklin
Terranova	Dizz Limited	Centerparc, Qormi
Terranova	Dizz Limited	Zabbar Road Fgura
Calliope	Dizz Limited	Bay Street Complex, St George's Road St Julians
Guess	DK G Limited	Tigne Point Mall, Pjazza Tigne Sliema
Guess	DK G Limited	Bay Street Complex, St George's Road St Julians
Guess	DK G Limited	Centerparc, Triq it-Tigrija, Qormi
Guess Kids	DK G Limited	Tigne Point Mall, Pjazza Tigne Sliema
Guess	DK G Limited	Republic Street, Valletta
Designer Outlet	DK G Limited	Triq il-Kappilan Mifsud, St Venera
Paul & Shark	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema
Paul & Shark	DK V & Co Limited	St John's Square, Valletta
Harmont & Blaine	DK V & Co Limited	Tigne Point Mall, Pjazza Tigne Sliema

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

1 REPORTING ENTITY AND OTHER INFORMATION (continued)**The following is a list of retail outlets that operate within the Group (continued):**

Brand	Subsidiary	Address
Elisabetta Franchi	D3 Fashion Limited	Bisazza Street, Sliema
Golden Point	D'S Limited	Centerparc, Triq it-Tigrija, Qormi
Caffe' Pascucci	DK Pascucci Limited	Triq il-Kappilan Mifsud, St Venera
Caffe' Pascucci	DK Pascucci Limited	Dragonara Road, Paceville, St Julians
Caffe' Pascucci	DK Pascucci Limited	Bay Street Complex, St George's Road St Julians
Caffe' Pascucci	DK Pascucci Limited	Centerparc, Triq it-Tigrija, Qormi
Caffe' Pascucci	DK Pascucci Limited	Tigne Point Mall, Pjazza Tigne Sliema
Caffe' Pascucci	DK Pascucci Limited	Triq il-Gzira, Gzira
Pastrocchio	Xilema Limited	The Strand, Sliema
Salad Box	Xilema Limited	Triq it-Torri, Sliema
Various Designer Brands	D Fashion Limited	Triq Ross, St Julians
Nespresso	DCaffe Limited	Triq Valletta, il Mosta, Pama Shopping Mall
Nespresso	DCaffe Limited	Triq l-Imdina, Birkirkara
Nespresso	DCaffe Limited	Centerparc, Triq it-Tigrija, Qormi
Nespresso	DCaffe Limited	Tigne Point Mall, Pjazza Tigne Sliema
Pastrocchio	DCaffe Limited	Triq l-Imdina, Birkirkara

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

Standard	Subject of amendment	Effective date
<i>IAS 1 Presentation of Financial statements</i>	Amendments regarding the classification of liabilities	1 January 2023
	Amendment to defer the effective date of the January 2020 amendments	1 January 2023
<i>IAS 16 Property, Plant and Equipment</i>	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
<i>IAS37 Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
<i>IAS 39 Financial Instruments: Recognition and Measurement</i>	Amendments regarding replacement issues in the context of the IBOR reform	1 January 2021

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Companies Act (Cap. 386). The consolidated 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 the consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's and the Group's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

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

3.1.1 GOING CONCERN

During the year under review, the Dizz Group faced the COVID-19 pandemic, which negatively impacted the operations of the Dizz Group, due to the government-imposed restrictions on all operations, which measures were introduced in an effort to curb the pandemic. Such measures included closure of outlets in the second quarter of 2020 and social distancing, which resulted in less individuals visiting the outlets, hence impacting sales and ultimately profitability.

In light of the situation, the Government of Malta announced several support measures to mitigate the negative effects brought about by the pandemic. The Dizz Group applied for the COVID-19 Wage Supplement Scheme, the Electricity Refund Scheme and the Rental Refund Scheme made available by Malta Enterprise. Furthermore, during the year under review the Dizz Group applied for bank finance with a subsidised interest rate and raised €3,000,000 Notes as the First Tranche of its base programme by D Foods Finance p.l.c. on IFSM, to aid in the liquidity management of the Group.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES

3.2 BASIS OF CONSOLIDATION

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

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

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

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.3 GOODWILL

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

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

Goodwill is amortised and is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

3.4 REVENUE RECOGNITION

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

3.4.1 Sale of fashion wear, related items and accessories

Revenue is measured at the fair value of the consideration received. The group operates a chain of retail stores selling fashion wear, related items and accessories. Revenue from the sale of goods is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the fashion wear, related items and accessories and takes delivery in store.

3.4.2 Operation of Cafeterias

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

3.4.3 Dividends and interest income

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.4 REVENUE RECOGNITION (continued)

3.4.3 Dividends and interest income (continued)

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

3.4.4 Rental Income

Rental income from investment property is recognised in consolidated statement of comprehensive income on a straight-line basis over the term of the lease on the annual income received.

3.5 LEASES

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

3.5.1 The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises right of use assets and a lease liability at the lease commencement date. The right of use assets are initially measured at cost, which comprises the initial amount on the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying assets or the site on which it is located, less any lease incentives received.

The right of use assets are subsequently amortising using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying assets to the Group by the end of the lease term or the cost of the right of use assets reflects that the Group will exercise a purchase option. In that case the right of use assets will be depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment. In addition, the right of use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. These are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.5 LEASES (continued)

3.5.1 The Group as a lessee (continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payment, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate. If there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use assets, or is recorded in consolidated statement of comprehensive income if the carrying amount of the right of use assets has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.5.2 The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.5 LEASES (continued)

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use assets arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease terms as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered during current reporting period that resulted in a finance lease classification.

3.6 FOREIGN CURRENCY AMOUNTS

In preparing the consolidated 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 consolidated statement of comprehensive income in the period in which they arise.

3.7 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.7 BORROWING COSTS (continued)

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 consolidated statement of comprehensive income in the period in which they are incurred.

3.8 SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.9 TAXATION

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

3.9.1 Current Tax

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.9 TAXATION (continued)

3.9.2 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 consolidated 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 profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising 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 differences and it is probable that the temporary differences 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.

3.9.3 Current and deferred tax for the year

Current and deferred tax are recognised in consolidated statement of comprehensive income, 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.

3.10 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 consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.10 PROPERTY, PLANT AND EQUIPMENT (continued)

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 the consolidated statement of comprehensive income, in which case the increase is credited to the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income. 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 losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

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

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

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

	%
Improvements to premises	1-10
Air-conditioning	17
Furniture and fixtures	10
Motor vehicles	20
Office equipment	25
Computer hardware and software	25
Electrical plumbing	7

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.11 INVESTMENT PROPERTY

Investment property is property held to earn rentals and capital accretion. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. All of the Group's property interests held to earn rentals are accounted for as investment property and is measured using the fair value model. Gains and losses arising from changes in the fair value of investment property is included in the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income 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.

3.12 INTANGIBLE ASSETS

3.12.1 Intangible assets acquired separately

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

3.12.2 Derecognition of intangible assets

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

3.13 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.13 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (continued)

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3.14 INVENTORIES

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

3.15 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position 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 consolidated statement of comprehensive income) 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 the consolidated statement of comprehensive income.

3.16 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.16 FINANCIAL ASSETS (continued)

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 assets are 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 assets 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 assets are 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 assets 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 the consolidated statement of comprehensive income (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Write off policy

The Group writes off a financial asset when there is information indicating that the trade receivable is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the trade receivable 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 the consolidated statement of comprehensive income.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.16 FINANCIAL ASSETS (continued)

Impairment of financial assets (continued)

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 trade receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income, but is transferred to retained earnings.

3.17 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through the consolidated statement of comprehensive income, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.17 FINANCIAL LIABILITIES (continued)

Subsequent measurement

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

Financial liabilities at fair value through the consolidated statement of comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 26.

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

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 consolidated statement of comprehensive income.

3.18 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

3 ACCOUNTING POLICIES (continued)

3.18 PROVISIONS (continued)

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.

3.19 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. 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 the consolidated financial statements.

4.1.1 Capitalisation of borrowing costs

As described in note 3, the Group capitalised 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**4.1 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

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 13, 14, and 15.

5 REVENUE

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

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Sale of fashion-related items	9,988,711	12,590,480	-	-
Sale of food and beverages	2,923,569	1,437,367	-	-
	<u>12,912,280</u>	<u>14,027,847</u>	<u>-</u>	<u>-</u>

6 INVESTMENT INCOME

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Rental income from investment property	621,548	378,892	-	-
	<u>621,548</u>	<u>378,892</u>	<u>-</u>	<u>-</u>
Interest income:				
Other loans and receivables	4,582	8,055	-	-
	<u>626,130</u>	<u>386,947</u>	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

6 INVESTMENT INCOME (continued)

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

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Interest from bank account	-	3,002	-	-
Loans and receivables	4,582	5,053	-	-
	<u>4,582</u>	<u>8,055</u>	<u>-</u>	<u>-</u>

7 OTHER GAINS AND LOSSES

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Gains on disposal of property, plant and equipment	94,030	-	-	-
Gain on disposal of shares	-	-	1,740,388	-
Management fees receivable	757,500	848,031	-	-
Other income - note	2,215,396	405,386	-	-
Gains from changes in fair value	1,169,423	-	-	-
Other income- key money	300,000	-	-	-
	<u>4,536,349</u>	<u>1,253,417</u>	<u>1,740,388</u>	<u>-</u>

Note –

During the year, the company received Covid Rent discounts and Covid Malta Enterprise Wage Supplements.

8 FINANCE COSTS

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Interest on bank overdraft	106,104	110,297	-	-
Interest on bank loan	23,624	-	-	-
Interest on bonds	814,712	542,739	-	-
Interest expense on finance lease	885,517	1,035,291	-	-
Amortisation of bond issue costs	38,108	32,558	-	-
	<u>1,868,065</u>	<u>1,720,885</u>	<u>-</u>	<u>-</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

9 (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
(Loss)/Profit before tax is stated after charging:				
Auditors' remuneration	91,431	59,255	1,500	1,500
Directors' remuneration	135,368	126,659	-	-
Staff costs (note 10)	2,751,630	1,451,114	-	-
Depreciation of property, plant and equipment	1,395,700	1,029,095	-	-
Amortisation of right of use asset	2,739,391	2,233,060	-	-
Amortisation of intangible assets	87,215	93,295	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

10 STAFF COSTS

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Wages and salaries	2,235,620	1,331,019	-	-
Social security costs	516,010	120,095	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,751,630	1,451,114	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Administration	14	14	-	-
Operational	182	104	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	196	118	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11 INCOME TAX**11.1 INCOME TAX RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Current tax:				
In respect of current year	22,442	-	-	-
Deferred tax:				
In respect of current year	(1,114,097)	(625,238)	-	-
In respect of current year- investment property	96,912	-	-	-
	(1,017,185)	(625,238)	-	-
Total income tax recognised in the current year	(994,743)	(625,238)	-	-

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

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
(Loss)/Profit before tax	(5,295,264)	(2,288,215)	1,729,923	(23,602)
Theoretical tax at 35%	(1,853,342)	(800,876)	605,473	(8,261)
Effect of expenses that are not deductible in determining taxable profit	1,403,016	202,245	-	-
Effect of income that is exempt from taxation	(11,983)	(26,607)	-	-
Effect of income with different tax of rate	(11,905)	-	-	-
Loss on sale of investment	-	-	(609,136)	-
Revaluation gain on investment property	(520,529)	-	-	-
Other movements	-	-	3,663	8,261
	(994,743)	(625,238)	-	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11 INCOME TAX (continued)**11.2 Deferred tax recognised in other comprehensive income**

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Deferred tax:				
Property revaluations	59,640	260,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11.3 Current tax liabilities

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Income tax payable	718,865	596,464	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11.4 Deferred tax balances

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Deferred tax assets	2,154,226	823,756	-	-
Deferred tax liabilities	(820,975)	(664,423)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,333,251	159,333	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11 INCOME TAX (continued)**11.4 Deferred tax balances (continued)**

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

	Opening balance €	Recognised in comprehensive income €	Recognised in other comprehensive income €	Other €	Closing balance €
<u>2020</u>					
Property, plant and equipment	(350,577)	1,519	(59,640)	-	(408,698)
Investment property	(312,203)	(96,912)	-	-	(409,115)
	<u>(662,780)</u>	<u>(95,393)</u>	<u>(59,640)</u>	<u>-</u>	<u>(817,813)</u>
Tax losses	382,130	817,669	-	-	1,199,799
Others	439,983	294,909	-	216,373	951,265
	<u>159,333</u>	<u>1,017,185</u>	<u>(59,640)</u>	<u>216,373</u>	<u>1,333,251</u>
<u>2019</u>					
Property, plant and equipment	(92,220)	1,643	(260,000)	-	(350,577)
Investment property	(312,203)	-	-	-	(312,203)
	<u>(404,423)</u>	<u>1,643</u>	<u>(260,000)</u>	<u>-</u>	<u>(662,780)</u>
Tax losses	(5,564)	376,137	-	11,557	382,130
Others	192,525	247,458	-	-	439,983
	<u>(217,462)</u>	<u>625,238</u>	<u>(260,000)</u>	<u>11,557</u>	<u>159,333</u>

12 (LOSS)/EARNINGS PER SHARE

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Basic (loss)/earnings per share	(0.43)	(0.35)	0.22	(0.01)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

13 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings €	Improvements to premises €	Air- conditioning €	Furniture & fittings €	Motor vehicles €	Office equipment €	Computer hardware and software €	Electrical plumbing €	Total €
<u>Cost/Revalued amount</u>									
At 1 January 2019	1,881,835	2,144,566	131,514	7,573,778	399,492	62,821	379,066	206,511	12,779,583
Acquired by the Group	-	106,535	85,831	515,751	25,870	-	41,076	139,101	914,164
Revaluation	3,083,295	-	-	-	-	-	-	-	3,083,295
Additions	334,066	1,166,289	301,577	538,780	-	21,406	31,218	336,355	2,729,691
At 31 December 2019	5,299,196	3,417,390	518,922	8,628,309	425,362	84,227	451,360	681,967	19,506,733
At 1 January 2020	5,299,196	3,417,390	518,922	8,628,309	425,362	84,227	451,360	681,967	19,506,733
Transferred from investment property	524,892	-	-	-	-	-	-	-	524,892
Acquired by the Group	-	36,466	27,702	333,493	42,296	193,805	-	-	633,762
Revaluation	1,033,608	-	-	-	-	-	-	-	1,033,608
Additions	797,480	180,058	12,969	1,098,307	92,289	58,157	301,408	3,661	2,544,329
At 31 December 2020	7,655,176	3,633,914	559,593	10,060,109	559,947	336,189	752,768	685,628	24,243,324
<u>Depreciation</u>									
At 1 January 2019	-	200,849	100,671	3,581,771	266,530	43,209	266,981	78,673	4,538,684
Acquired by the Group	-	1,057	14,127	50,453	-	93	1,329	9,278	76,337
Charge for the year	-	60,158	84,054	736,220	49,305	1,696	73,405	24,257	1,029,095
At 31 December 2019	-	262,064	198,852	4,368,444	315,835	44,998	341,715	112,208	5,644,116
At 1 January 2020	-	262,064	198,852	4,368,444	315,835	44,998	341,715	112,208	5,644,116
Taken over	-	3,647	6,926	48,365	12,689	51,596	-	-	123,223
Charge for the year	-	195,641	62,316	850,299	70,793	14,349	157,804	44,498	1,395,700
At 31 December 2020	-	461,352	268,094	5,267,108	399,317	110,943	499,519	156,706	7,163,039
<u>Carrying amounts</u>									
At 31 December 2020	7,655,176	3,172,562	269,288	4,815,212	160,630	225,246	253,249	528,922	17,080,285
At 31 December 2019	5,299,196	3,155,326	320,070	4,259,865	109,527	39,229	109,645	569,759	13,862,617

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

The fair value measurement of the Group's land and were performed by Architect and Civil Engineer Kurt Vella and Architect and Civil Engineer Joe Grech, independent valuers not related to the Group. The valuation conforms to International Valuation Standards. The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Group	Fair value €
<u>2020</u>	
<u>Store:</u> Carob Street – St. Venera	254,500
<u>Shop:</u> Kappillan Mifsud Street – St. Venera	650,000
<u>Office:</u> Carob Street – St. Venera	275,000
<u>Land:</u> The Hub-Land – Mriehel	5,585,676
<u>Cafeteria:</u> Gzira	890,000
	<hr/>
	7,655,176
	<hr/>
<u>2019</u>	
<u>Store:</u> Carob Street – St. Venera	254,500
<u>Shop:</u> Kappillan Mifsud Street – St. Venera	567,000
<u>Office:</u> Carob Street – St. Venera	189,500
<u>Land:</u> The Hub-Land – Mriehel	4,288,196
	<hr/>
	5,299,196
	<hr/>

13.2 Assets pledged as security

Land and buildings with a carrying amount of approximately €2,215,901 have been pledged to secure borrowings of the Group. The land and buildings have been pledged as security for bank overdraft. The Group is not allowed to pledge these assets as security for other borrowings or to sell any of them to other entities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

14 INVESTMENT PROPERTY

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Balance at beginning of year	5,506,969	5,506,969	-	-
Additions	231,302	-	-	-
Gain on property revaluation	1,088,027	-	-	-
Transfer to PPE	(524,892)	-	-	-
Disposal of property	(135,104)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	6,166,302	5,506,969	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14.1 Fair value measurement of the Group's investment property

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 investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Group	Fair value €
<u>2020</u>	
<u>Residential units situated at:</u>	
Apartment 2, Church Street – St Julians	450,000
Apartment Savoy Gardens – Gzira	260,000
Apartment Corner View – Swieqi	400,000
Apartment 13, Waterside Apartments, Ix-Xatt ta' Qui Si Sana – Sliema	1,303,680
Laguna Apartment Portomaso – St Julians	2,200,000
Apartment 6, Byron Court, Ix-Xatt ta' Qui Si Sana – Sliema	946,320
Aquarius Maisonette & Garage – Swieqi	375,000
Apartment Compass Rose	231,302
	<hr/>
	6,166,302
	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

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

Group	Fair value €
<u>2019</u>	
<u>Residential units situated at:</u>	
Apartment 912, Tas-Sellum – Mellieha	216,500
Apartment 2, Church Street – St Julians	262,500
Apartment Savoy Gardens – Gzira	260,000
Apartment Corner View – Swieqi	368,400
Apartment 13, Waterside Apartments, Ix-Xatt ta' Qui Si Sana – Sliema	966,000
Laguna Apartment Portomaso – St Julians	1,900,000
Apartment 6, Byron Court, Ix-Xatt ta' Qui Si Sana – Sliema	734,000
Aquarius Maisonette & Garage – Swieqi	274,677
Property in Gzira Road – Gzira	524,892
	<hr/>
	5,506,969
	<hr/>

15 LEASES - RIGHT OF USE ASSET

Group	Buildings €
<u>Cost</u>	
At 1 January 2020	25,965,472
Additions	23,448
Assets taken over	337,627
Disposal	(2,380,857)
	<hr/>
At 31 December 2020	23,945,690
<u>Amortisation</u>	
At 1 January 2020	2,233,060
For the year	2,739,391
Taken over	101,288
Release on disposal	(428,819)
	<hr/>
At 31 December 2020	4,644,920
	<hr/>
<u>Carrying amounts</u>	
At 31 December 2020	19,300,770
	<hr/>
At 31 December 2019	23,732,412
	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

15 LEASES - RIGHT OF USE ASSET (continued)**15.1 Amounts recognised in consolidated statement of comprehensive income**

Group	2020 €
Amortisation expense on right of use assets	2,739,391
Interest expense on finance lease	885,517
Expense relating to leases of low value assets	764,617

The total cash outflow for leases amounts to € 4,389,525.

Group	2019 €
Amortisation expense on right of use assets	2,233,060
Interest expense on finance lease	1,035,291
Expense relating to leases of low value assets	784,715
Income from sub-leasing right of use assets	(131,536)

The total cash outflow for leases amounts to €3,268,210.

16 INTANGIBLE ASSETS

Group	€
<u>Cost</u>	
At 1 January 2019	2,591,124
Acquired on merger	88,000
Reclassified to right of use asset	(1,098,202)
	<hr/>
At 31 December 2019	1,580,922
	<hr/>
At 1 January 2020	1,580,922
	<hr/>
At 31 December 2020	1,580,922
	<hr/>
<u>Amortisation</u>	
At 1 January 2019	590,647
Acquired on merger	8,800
For the year	93,295
	<hr/>
At 31 December 2019	692,742
	<hr/>
At 1 January 2020	692,742
For the year	87,215
	<hr/>
At 31 December 2020	779,957
	<hr/>
<u>Carrying amount</u>	
At 31 December 2020	800,965
	<hr/>
At 31 December 2019	888,180
	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17 INVESTMENTS IN SUBSIDIARIES

The investment in group undertakings is as follows:

	Company €
<u>Cost</u>	
At 1 January 2019	4,137,050
Acquired through merger	3,600
Disposal of subsidiary	(1,200)
	<hr/>
At 31 December 2019	4,139,450
	<hr/>
At 1 January 2020	4,139,450
Additions	3,279,285
Disposal of subsidiary	(1,504,650)
	<hr/>
At 31 December 2020	5,914,085
	<hr/>

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	
			2020	2019
D3 Fashion Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
Dizz Finance P.L.C.	Property/Finance	Dizz Buildings Carob Street St. Venera	100%	100%
D Foods Finance P.L.C.	Property/Finance	Dizz Buildings Carob Street St. Venera	100%	-
Dizz Labs Limited	To operate as a cost centre	Dizz Buildings Carob Street St. Venera	-	100%
Dizz Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
Dizz Manufacturing Limited	Production of fashion- related items	Dizz Buildings Carob Street St. Venera	100%	100%
DK Fashion Co. Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
DK G Limited	Retail	Dizz Buildings Carob Street St. Venera	100%	100%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2020	2019
DK Max Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
DKV & Co. Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
D's Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
DK Pascucci Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	-	49%
D Shopping Malls Limited	Property/Finance	Dizz Buildings Carob Street St. Venera	100%	100%
DNJ Limited	Make up store	Dizz Buildings Carob Street St. Venera	100%	100%
D Fashion Limited	Retail	Dizz Buildings Carob Street St. Venera	-	100%
Xilema Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	-	100%

D Foods Finance PLC Limited has another subsidiary as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2020	2019
DK Pascucci Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	100	-
D Kitchen Lab Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	100	-
D Caffè Limited	Sale of food and beverages	Dizz Buildings Carob Street St. Venera	100	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

17 INVESTMENTS IN SUBSIDIARIES (continued)

D Shopping Malls Limited has another subsidiary as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2020	2019
D Shopping Malls Finance P.L.C.	Finance	Dizz Buildings Carob Street St. Venera	100%	100%

Dizz Retail Limited has another subsidiary as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held	
			2020	2019
DK Fashion Limited	Retail	Dizz Buildings Carob Street St. Venera	100	-
DKV & Co Limited	Retail	Dizz Buildings Carob Street St. Venera	100	-
Dizz Limited	Retail	Dizz Buildings Carob Street St. Venera	100	-

Goodwill on investment in subsidiaries

	Group €
<u>Cost</u>	
At 1 January 2020	-
Additions	4,425,592
At 31 December 2020	<u>4,425,592</u>

During the year, the Group commenced a corporate restructuring exercise aimed at streamlining operations of the subsidiaries into four key pillars: retail, food and beverage, property and financing. In a bid to consolidate its food and beverage side of business, the Dizz Group of Companies Limited acquired DK Pascucci Limited, DCaffe Holding Limited, D Kitchen Lab Limited and Xilema Limited through a non-cash consideration. Upon acquisition of these companies, a goodwill of €4.4 million was created.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

18 OTHER FINANCIAL ASSETS

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Loans and receivables				
Loan from third party (note)	80,944	89,263	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Note:

The amounts due from third party represent dues from Dal Café Limited. The amounts due bear interest at 6% per annum.

19 OTHER ASSETS

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Advance deposits on property acquisitions	70,000	97,250	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

20 INVENTORIES

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Goods held for resale	3,886,571	5,375,735	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The inventories as at 31 December 2020 stated above do not include goods held on consignment by the Group.

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
<u>Amounts falling due within one year:</u>				
Trade receivables	708,822	346,534	-	-
Other receivables	1,636,454	1,112,308	9,387	7,503
Amounts due from related parties (note a)	1,758,270	2,236,271	4,401,566	172
Prepayments and deferred costs	2,325,528	283,596	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,429,074	3,978,709	4,410,953	7,675
	<hr/>	<hr/>	<hr/>	<hr/>

Note:

a) The amounts due from related parties includes amounts from related companies whose ultimate beneficial owners are the same persons of the Group. Amounts due to related parties are unsecured, interest free, with no fixed date of repayment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

22 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
Cash at hand	-	12,380	-	-
Cash in bank	902,071	435,872	-	-
Bank overdrafts	(1,682,686)	(2,219,685)	(22,812)	(1,413)
	<u>(780,615)</u>	<u>(1,771,433)</u>	<u>(22,812)</u>	<u>(1,413)</u>

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

23 ISSUED CAPITAL

	Company	
	2020 €	2019 €
<u>Authorised</u> 7,719,192 (2019-3,291,200) ordinary shares of €1 each	7,719,192	3,290,000
<u>Called-up, issued and fully paid</u> 7,719,192 (2019-3,291,200) ordinary shares of €1 each	7,719,192	3,290,000

24 OTHER RESERVES

Group	€
<u>Properties Revaluations Reserve</u>	
At 1 January 2019/31 December 2019	<u>3,229,611</u>
At 1 January 2020	3,229,611
Property revaluation net of deferred tax during the year	973,968
At 31 December 2020	<u>4,203,579</u>

Note:

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

25 RETAINED EARNINGS**Group**

	€
At 1 January 2019	1,402,697
Acquisition of new subsidiaries through merger	(206,394)
Disposal of subsidiary	7,757
Loss for the year attributable to owners	(1,662,977)
	<hr/>

At 31 December 2019	(458,917)
	<hr/>

Group (continued)

	€
At 1 January 2020	(458,917)
Adjustment arising from acquisition of new subsidiaries	(394,561)
Loss for the year attributable to owners	(4,300,521)
	<hr/>

At 31 December 2020	(5,153,999)
	<hr/>

Company

At 1 January 2019	(51,950)
Adjustment to retained earnings through merger	(1,798)
Loss for the year	(23,602)
	<hr/>

At 31 December 2019	(77,350)
	<hr/>

At 1 January 2020	(77,350)
Adjustment to retained earnings through merger	-
Profit for the year	1,729,923
	<hr/>

At 31 December 2020	1,652,573
	<hr/>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

26 BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
<u>Amounts falling due after one year:</u>				
5% Bonds 2026 (ii)	7,859,967	7,835,686	-	-
5.35% Bonds 2028 (iii)	7,435,235	7,426,958	-	-
3% Bonds notes 2030 (iv)	2,950,052	-	-	-
Bank loans (v)	2,224,922	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	20,470,176	15,262,644	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Amounts falling due within one year:</u>				
Bank overdraft (i)	1,682,686	2,219,685	22,812	1,413
Bank loans (v)	193,837	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,876,523	2,219,685	22,812	1,413
	<hr/>	<hr/>	<hr/>	<hr/>
Total borrowings	22,346,699	17,482,329	22,812	1,413
	<hr/>	<hr/>	<hr/>	<hr/>

26.1 Summary of borrowing arrangements

- (i) The Group enjoys bank overdraft facilities with its bankers. These facilities are secured by general hypothecs over the Group's assets, by a special hypothec over properties of the Group, by pledges taken over various insurance policies and by personal guarantees of the directors and shareholders. The annual interest rate on bank overdrafts and bank balances is 4.9%.
- (ii) The bank loan represents the BOV MDB COVID-19 ASSIST which benefits from the support of the MDB COVID-19 Guarantee Scheme launched by the Malta Development Bank. It bears a fixed interest of 2% for the first two years and is repayable in monthly instalments of € 35,720 for the first twelve months and € 36,620 for the remaining forty eight monthly repayments. The facility shall be repaid over a period of six years inclusive of a six-month moratorium on capital and interest and followed by a six-month moratorium on capital only.
- (iii) During the year ended 31 December 2016, Dizz Finance P.L.C. issued €8,000,000, 5% unsecured bonds to the general public. These bonds were fully subscribed and listed on the Malta Stock Exchange. Total proceeds from these bonds amounted to €8,000,000. Total costs incurred by the Group to issue the bonds amounted to €242,811. These costs are being amortised in the statement of comprehensive income over the period of the bond.
- (iv) During the year ended 31 December 2018, D Shopping Malls Finance P.L.C. issued €7,500,000, 5.35% unsecured bonds on Prospects MTF. Total proceeds from these bonds amounted to €7,500,000. Total costs incurred by the Group to issue the bonds amounted to €82,770. These costs are being amortised in the consolidated statement of the comprehensive income over the period of the bond.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

26 BORROWINGS**26.1 Summary of borrowing arrangements**

(v) On the 21 of July 2020 the company issued a base prospectus for the issue of Euro 10,000,000 3% Secured convertible notes having a nominal value of Euro 100,000 each. On the 3 of August 2020, 30 Notes for the value of Eur 3,000,000 have been bought as per final terms dated 21 July 2020. The maturity date of the convertible notes is 2 August 2030 unless converted to equity beforehand.

27 LEASE LIABILITIES

	Group		Company	
	2020 €	2019 €	2020 €	2018 €
Maturity analysis:				
One year	1,351,841	1,997,810	-	-
Between two and five years	4,261,187	4,854,488	-	-
After five years	12,267,551	14,368,143	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	17,880,579	21,220,441	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 €	2019 €	2020 €	2019 €
<u>Amounts falling due after more than one year:</u>				
Other payables (note b)	4,179,093	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Amounts falling due within one year:</u>				
Trade payables (note a)	4,877,582	3,784,511	1,175	30,238
Other payables (note b)	2,342,732	4,451,960	-	-
Amounts due to related parties (note c)	-	-	914,016	886,354
Accruals	1,364,503	541,121	15,270	15,270
	<hr/>	<hr/>	<hr/>	<hr/>
	8,584,817	8,777,592	930,461	931,862
	<hr/>	<hr/>	<hr/>	<hr/>

Notes:

- Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period of the Group is 4 months. No interest is charged on any outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the agreed credit terms.
- Other payables include privileged creditors amounting due to € 6,404,284 (2019: € 4,274,872).
- Amounts due to related parties are unsecured, interest free, with no fixed date of repayment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

29 FINANCIAL INSTRUMENTS**29.1 CATEGORIES OF FINANCIAL INSTRUMENTS**

	2020	Group	2019
	€		€
Financial assets			
Cash and bank balances	902,071		448,252
Loans and receivables	80,944		89,263
	<hr/>		<hr/>

29.2 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.

29.3 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 Company 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. The risk is managed by the company by maintaining an appropriate mix between fixed and variable rate borrowings. As at the reporting date and as disclosed in note 26 the Company has both fixed and variable interest-bearing liabilities.

The company's exposure to interest rates on all financial liabilities are detailed in note 26. The liquidity risk section in this note provides further details on the exposure of the bank overdrafts carrying variable interest rates.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates for bank overdrafts. It is assumed that the liability as at the end of the reporting period was outstanding for the whole year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

29 FINANCIAL INSTRUMENTS (continued)**29.4 CREDIT RISK**

Credit risk arises from credit exposure to customers and amounts held with financial institutions (notes 21 and 22). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows and is equivalent to their carrying amount. The company does not hold any collateral as security in this respect.

	Group	
	2020	2019
	€	€
Trade and other receivables	4,670,804	1,742,438
Cash at bank and in hand	902,071	448,252
	<hr/>	<hr/>
	5,572,875	2,190,690
	<hr/>	<hr/>

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.

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 2020 and 2019, no trade receivables were impaired.

29.5 LIQUIDITY RISK

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of interest-bearing borrowings and trade and other payables (notes 26, 27 and 28). 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

29 FINANCIAL INSTRUMENTS (continued)**29.5 LIQUIDITY RISK (continued)**

Group	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
At 31 December 2020						
Bank overdrafts	1,682,686	1,682,686	1,682,686	1,682,686	-	-
Bank loans	2,418,759	2,418,759	193,837	193,837	1,952,974	271,948
Trade and other payables	12,763,904	12,763,904	8,584,811	8,584,811	4,179,093	-
Lease liabilities	17,880,579	17,880,579	1,351,841	1,351,841	4,261,187	12,267,551
Bonds and notes	18,245,254	24,060,052	801,250	801,250	3,205,000	20,053,802
	<u>52,991,182</u>	<u>58,805,980</u>	<u>12,614,425</u>	<u>12,614,425</u>	<u>13,598,254</u>	<u>32,593,301</u>
At 31 December 2019						
Bank overdrafts	2,219,685	2,219,685	2,219,685	2,219,685	-	-
Trade and other payables	8,777,592	8,777,592	8,777,592	8,777,592	-	-
Lease liabilities	21,200,441	28,088,558	2,912,945	2,914,945	9,236,827	15,930,786
Bonds	15,262,644	21,911,250	-	801,250	3,205,000	17,905,000
	<u>47,460,362</u>	<u>60,997,085</u>	<u>13,910,222</u>	<u>14,713,472</u>	<u>12,441,827</u>	<u>33,835,786</u>

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

30 RELATED PARTY TRANSACTIONS

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

30.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Group	
	2020 €	2019 €
Directors' remuneration	<u>135,368</u>	<u>126,659</u>

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

30 RELATED PARTY TRANSACTIONS (continued)**30.2 (AMOUNTS TO)/AMOUNTS FROM RELATED PARTIES**

	Group	
	2020	2019
	€	€
Amounts due from related parties	1,758,270	2,236,271
	<hr/>	<hr/>
	Company	
	2020	2019
	€	€
Amounts due to related parties	(914,016)	(886,354)
	<hr/>	<hr/>

31 MERGER WITH DK GROUP OF COMPANIES LIMITED

Dizz Group of Companies Limited and DK Group of Companies Limited merged on 1 July 2019. The assets and liabilities taken over by the Group were as follows:

	2019
	€
DK Group of Companies Limited	
Consolidated Statement of Financial Position	
As at 30 June 2019	
Property, plant and equipment	837,827
Goodwill	79,200
Deferred tax assets	11,558
Trade receivables	10,658
Cash and cash equivalents	24,547
Inventories	539,248
Trade and other payables	(62,978)
Related party balances	122,241
Related companies balances	(1,768,695)
Pre-acquisition losses	206,394
	<hr/>
Net assets acquired by Dizz Group of Companies Limited	1,200
	<hr/>

32 COMMITMENTS FOR EXPENDITURE

	Group	
	2020	2019
	€	€
Commitments for the acquisition of property, plant and equipment	-	225,000
	<hr/>	<hr/>

During the year under review the Group had € 70,000 (2019 – € 97,250) as deposits paid on account on such immovable property.