

DIZZ GROUP OF COMPANIES LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended 31 December 2022

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Holding Company Information

| | |
|----------------------------|---|
| Directors : | Ms Diane Izzo Mr Karl Izzo |
| 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 BZN 9061 Malta |
| Banker : | Bank of Valletta P.L.C. 58, Zachary Street Valletta Malta |

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

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Report of the Directors

For the year ended 31 December 2022

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2022.

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, Boggi, Guess, Paul & Shark, Harmont & Blaine, Terranova, Calliope, KIKO, Nespresso, Caffè Pascucci, Salad Box and TheCorner.com. 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 initial months of 2022 brought about various disruptions due to the pandemic, the local general election and surging inflation environment. These had an impact on the Group's financial performance for 2022, however, the situation improved in the second half of 2022. As a result, the businesses performed better and in fact, total revenue for the year under review increased to €20.65 million from €18.2 million last year, an increase of 41%. Furthermore, its gross profit margin increased from 42% in 2021 to 45% in 2022. Furthermore, the Group experienced an increase in its administrative expenses part of which was attributable to the takeover of Dizz Franchises in July 2022. The increase in turnover and dis led the Group to generate an EBITDA of €4.8 million in 2022 (2021: €4.3 million), representing an EBITDA margin of 9.16% (2021: 23%).

Following the impact of depreciation, amortisation, interest and taxation, during the year under review, the Group registered a loss after tax of €1.8 million (2021 : €2.0 million), the Directors will continue monitoring the performance of the Group. The Directors are giving due consideration to the uncertainties and mitigating factors that have been taken across the board in order to ensure the going concern of the Company and the Group. The Group is also reviewing on an ongoing basis the right-sizing of its operating base, to ensure that it will generate a sustainable level of operations. During the year, the Group also continued with the development of The Hub, and after year-end, the Board commissioned a valuation of this property which will be completed in mid-2023. The effect of this revaluation, which was corroborated by an architect's valuation, is shown in the consolidated statement of comprehensive income and following this adjustment, the total Comprehensive income for the year net of deferred tax amounts to € 6,670,412 (2021: Expense € 2,006,409).

At the end of the financial year under review, one of the subsidiaries, D Shopping Malls Limited, sold an apartment that was being held as an investment property. As set out in the Company Admission Document of D Shopping Malls Finance plc, this company is to set up a sinking fund to be administered by the Board of Directors to cover 100% of the value of the issued bonds until redemption date. Although the first mandatory payment into the sinking fund is due by 31 December 2024, given that in FY2022 the Company sold the Laguna property, whereby as described in section E1 "Use of Proceeds" of the Company Admission Document a maximum of €611k from the Bond were earmarked to acquire this apartment. Hence the Board of this Company agreed to allocate €611k of the proceeds received in FY2023 to meet the sinking fund requirements of FY2024 as set out in the Company Admission Document. After year-end, these funds were used to purchase back and cancel € 624,900 worth of the Company's Bond as permitted by the Company's Treasury Management Policy contained within the Company Admission Document.

Report of the Directors (continued)

For the year ended 31 December 2022

Principal Risks and Uncertainties

Dizz Group of Companies Limited being a holding company, is dependent on the business prospects of its subsidiaries, and consequently, the operating results of the subsidiaries have a direct effect on the Group's financial position and performance.

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 Group 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 28.4 and 28.5 of the financial statements.

Events Subsequent to the Statement of Financial Position Date

The directors assessed subsequent events from 1 January 2023 through 27 April 2023, the date these financial statements were approved. Through such assessment, the directors have determined that no events subsequent to balance sheet date occurred.

Directors

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

Ms Diane Izzo

Mr Karl Izzo

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

Report of the Directors (continued)

For the year ended 31 December 2022

Directors' Interest

The Directors' beneficial interest in the shares of the Company at 31 December 2022 is equal to € 8,934,562 ordinary shares having a nominal value of €1 each held equally 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 2022, 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 2022

Auditors

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

BY ORDER OF THE BOARD



Ms Diane Izzo
Director



Mr Karl Izzo
Director

27 April 2023

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report

To the shareholder of Dizz Group of Companies Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dizz Group of Companies Limited, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Group financial statements and Parent Company financial statements give a true and fair view of the Group and the Parent's Company's financial position as at 31 December 2022, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been prepared in accordance with the requirements of the Maltese Companies Act (Cap.386).

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report (continued)**Key Audit Matters (continued)***Property, Plant and Equipment – refer to Notes 12*

The Group's property, plant and equipment has a carrying amount of €28,683,270, which is measured at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

Under the revaluation model, revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. The carrying amount represents more than a third of non-current assets, hence it warranted specific audit focus in this area.

We obtained external valuations performed by an independent property valuer during the year 2023 in order to determine whether the valuations were made using reasonable assumptions and approaches. The investment property value was determined based on a mix of the market comparable approach that reflects the price per square meter achieved for properties with similar characteristics and location and by discounting the expected future cashflows, to be derived from the operations of these properties.

The valuation of the Group's investment property is inherently subjective principally due to the judgemental nature of the factors mentioned above and the assumptions used in the underlying valuation models. The significance of the estimates and judgements involved warrants specific audit focus in this area. The year under review included an increase in the fair value amount on a particular high-value property (or rights over property) owned by the Group. We assessed two separate independent valuations as well as an exercise carried out by a third-party professional service firm in order to validate the increase to the fair value accordingly. Given that all of the parties involved are independent and the valuations provided by each party are in line with the fair value presented, we believe we have collected sufficient and appropriate evidence in this regard.

Inventory – refer to note 18

The Group have recognised a total inventory of € 3,938,677 which is measured at the lower of cost and net realisable value. The latter is particularly challenging for management given that most of the inventory is related to fashion or seasonal demand. In turn, there might be elements of significant judgement to determine the net realisable value of an item. The value of the inventory has a direct impact on the results as reported in the profit and loss account, therefore this was considered a key audit matter.

Our audit procedures included:

1. Testing the design, implementation and operating effectiveness of the key controls management has established for inventory valuation.
2. Attending inventory counts.
3. Cross checking a sample of units from the stock lists against the stores/shelves and vice versa.
4. Checking for a sample of individual products that invoiced costs have been recorded correctly.

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Independent Auditors' Report (continued)

Key Audit Matters (continued)

Inventory – refer to note 18 (continued)

5. Evaluating, on a sample basis, whether inventories were stated at the lower of cost or net realisable value at the reporting date by comparing the sales prices of inventories subsequent to the reporting date.
6. Challenged the management with regard to the calculation methodology in relation to the sampled product.

We believe that the procedures undertaken in relation to the sampling method provide appropriate supporting information that renders a material misstatement unlikely in this regard.

Other Information

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

Responsibilities of the Directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Independent Auditors' Report (continued)**Auditors' Responsibilities for the Audit of the Financial Statements (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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report (continued)**Report on Other Legal and Regulatory Requirements****Matters on which we are required to report by exception under the Companies Act***Our Responsibilities*

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

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

Our Opinion

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

In addition, we confirm that:

- To the best of our knowledge and belief, we have not provided non-audit services to the Group in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

Other Matter - Use of this Report

Our report, including the opinions, has been prepared for and only for the Group's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Group during the first quarter of 2017 in order to audit the period ending 31 December 2016. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 7 years.

Joseph Gauci (Partner) for and on behalf of

KSi Malta
Certified Public Accountants
Balzan
Malta
27 April 2023

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

| | Notes | Group | | Company | |
|---|-------|--------------|--------------|-----------|-----------|
| | | 2022 € | 2021 € | 2022 € | 2021 € |
| Revenue | 4 | 20,646,853 | 18,177,207 | - | - |
| Cost of sales | | (11,433,847) | (10,488,259) | - | - |
| Gross profit | | 9,213,006 | 7,688,948 | - | - |
| Investment income | 5 | 768,527 | 717,275 | - | - |
| Other income | 6 | 3,402,126 | 3,187,765 | - | - |
| Marketing expenses | | (749,400) | (781,501) | - | - |
| Administration expenses | | (7,883,918) | (6,561,204) | (31,439) | (55,652) |
| Amortisation of intangible assets | | (71,550) | (71,550) | - | - |
| Amortisation of right of use asset | | (2,088,382) | (2,296,258) | - | - |
| Depreciation of property, plant and equipment | | (1,711,577) | (1,451,092) | - | - |
| Finance costs | 7 | (2,417,635) | (2,363,709) | - | - |
| Loss before tax | 8 | (1,538,803) | (1,931,326) | (31,439) | (55,652) |
| Income tax | 10 | (298,153) | (75,083) | - | - |
| Loss for the year | | (1,836,956) | (2,006,409) | (31,439) | (55,652) |
| Other Comprehensive Income, net of income tax | | | | | |
| Property revaluation | | 8,964,487 | - | - | - |
| Deferred tax | 10 | (717,119) | - | - | - |
| Other Comprehensive Income for the year, net of income tax | | 8,247,368 | - | - | - |
| Total Comprehensive income/(expense) for the year | | 6,410,412 | (2,006,409) | (31,439) | (55,652) |

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2022

| | | Group | | Company | |
|---|--------|--------------|-------------|----------------|------------|
| | Notes | 2022 € | 2021 € | 2022 € | 2021 € |
| Loss for the year attributable to: | | | | | |
| Owners of Company | | (1,836,956) | (2,006,409) | (31,439) | (55,652) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income/(expense) for the year attributable to: | | | | | |
| Owners of Company | | 6,410,412 | (2,006,409) | (31,439) | (55,652) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Loss per share | 11 | (0.21) | (0.26) | (0.004) | (0.01) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Financial Position

As at 31 December 2022

| | Notes | Group | | Company | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2022 € | 2021 € | 2022 € | 2021 € |
| Assets | | | | | |
| Property, plant and equipment | 12 | 28,683,270 | 17,808,121 | - | - |
| Investment property | 13 | 3,847,206 | 6,162,252 | - | - |
| Right of use assets | 14 | 26,325,743 | 27,142,039 | - | - |
| Intangible assets | 15 | 697,865 | 729,415 | - | - |
| Investment in subsidiaries | 16 | - | - | 7,129,455 | 5,914,085 |
| Deferred tax asset | 10 | 2,494,753 | 2,117,950 | - | - |
| Other financial assets at amortised cost | 17 | 49,961 | 68,694 | - | - |
| Goodwill at amortised cost | 16 | 7,080,100 | 4,425,592 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total non-current assets | | 69,178,898 | 58,454,063 | 7,129,455 | 5,914,085 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Inventories | 18 | 3,938,677 | 4,023,265 | - | - |
| Trade and other receivables | 19 | 11,252,115 | 9,425,855 | 5,114,623 | 5,113,078 |
| Cash and cash equivalents | 20 | 269,451 | 209,100 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current assets | | 15,460,243 | 13,658,220 | 5,114,623 | 5,113,078 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | | 84,639,141 | 72,112,283 | 12,244,078 | 11,027,163 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Equity | | | | | |
| Issued capital | 21 | 8,934,562 | 7,719,192 | 8,934,562 | 7,719,192 |
| Other reserves | 22 | 12,450,947 | 4,203,579 | - | - |
| (Accumulated losses)/Retained earnings | 23 | (8,997,364) | (7,160,408) | 1,565,482 | 1,596,921 |
| Non-controlling interest | 24 | 1 | 2 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total equity | | 12,388,146 | 4,762,365 | 10,500,044 | 9,316,113 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

Consolidated Statement of Financial Position (continued)

As at 31 December 2022

| | Notes | Group | | Company | |
|--------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2022 € | 2021 € | 2022 € | 2021 € |
| Liabilities | | | | | |
| Borrowings | 25 | 20,238,128 | 20,087,107 | - | - |
| Lease liabilities | 26 | 23,200,510 | 23,964,868 | - | - |
| Trade and other payables | 27 | 9,372,742 | 3,758,186 | - | - |
| Deferred tax liability | 10 | 1,996,201 | 842,282 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total non-current liabilities | | 54,807,581 | 48,652,443 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Borrowings | 25 | 4,070,537 | 3,622,478 | - | - |
| Lease liabilities | 26 | 2,089,677 | 2,342,407 | - | - |
| Trade and other payables | 27 | 10,693,516 | 12,145,610 | 1,744,034 | 1,711,050 |
| Current tax liabilities | 10 | 589,684 | 586,980 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total current liabilities | | 17,443,414 | 18,697,475 | 1,744,034 | 1,711,050 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | | 72,250,995 | 67,349,918 | 1,744,034 | 1,711,050 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total equity and liabilities | | 84,639,141 | 72,112,283 | 12,244,078 | 11,027,163 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

The consolidated financial statements set out on pages 10 to 58 were approved and authorised for issue by the Board on 27 April 2023 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 2022

Group

| | Issued capital | Accumulated losses | Properties revaluation reserve | Non- controlling interest | Total |
|--|-------------------|-----------------------|--------------------------------------|---------------------------------|-------------------|
| | € | € | € | € | € |
| Balance at 1 January 2021 | 7,719,192 | (5,153,999) | 4,203,579 | 2 | 6,768,774 |
| Loss for the year | - | (2,006,409) | - | - | (2,006,409) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2021 | 7,719,192 | (7,160,408) | 4,203,579 | 2 | 4,762,365 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2022 | 7,719,192 | (7,160,408) | 4,203,579 | 2 | 4,762,365 |
| Issue of share capital | 1,215,370 | - | - | - | 1,215,370 |
| Movement in revaluation reserve net of tax | - | - | 8,247,368 | - | 8,247,368 |
| Movement in non- controlling interest | - | - | - | (1) | (1) |
| Loss for the year | - | (1,836,956) | - | - | (1,836,956) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2022 | 8,934,562 | (8,997,364) | 12,450,947 | 1 | 12,388,146 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2022

Company

| | Issued capital € | Retained earnings € | Total € |
|------------------------------------|------------------------|---------------------------|-------------------|
| Balance at 1 January 2021 | 7,719,192 | 1,652,573 | 9,371,765 |
| Loss for the year | - | (55,652) | (55,652) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2021 | 7,719,192 | 1,596,921 | 9,316,113 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2022 | 7,719,192 | 1,596,921 | 9,316,113 |
| Issue of share capital | 1,215,370 | - | 1,215,370 |
| Loss for the year | - | (31,439) | (31,439) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2022 | 8,934,562 | 1,565,482 | 10,500,044 |
| | <hr/> | <hr/> | <hr/> |

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

| | Note | Group | | Company | |
|---|------|-------------|-------------|-----------|-----------|
| | | 2022 € | 2021 € | 2022 € | 2021 € |
| Cash flows from operating activities | | | | | |
| Loss before tax | | (1,538,803) | (1,931,326) | (31,439) | (55,652) |
| Adjustments for: | | | | | |
| Finance cost | | 2,369,030 | 2,304,016 | - | - |
| Disposal of fixed assets | | (144,327) | (25,150) | - | - |
| Gain on disposal of investment property | | (1,119,974) | - | - | - |
| COVID rent discount | | - | (503,703) | - | - |
| Termination of lease | | - | (120,641) | - | - |
| Expected credit losses | | - | 33,145 | (1,544) | 32,417 |
| Gain on termination of lease | | 160,896 | - | - | - |
| Revaluation on investment property | | 978,920 | - | - | - |
| Depreciation of property, plant and equipment | | 1,711,577 | 1,451,092 | - | - |
| Amortisation of intangible assets | | 71,550 | 71,550 | - | - |
| Amortisation of right of use assets | | 2,088,382 | 2,296,258 | - | - |
| Amortisation of bond issue costs | | 40,448 | 41,855 | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating profit/(loss) before working capital changes: | | 4,617,699 | 3,617,096 | (32,893) | (23,235) |
| Movement in trade and other receivables | | (930,473) | (1,074,083) | (1,545) | (702,125) |
| Movement in inventories | | 313,812 | (136,694) | - | - |
| Movement in trade and other payables | | 3,214,112 | 3,179,180 | 6,983 | (2,840) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash generated from/(used in) operations | | 7,215,150 | 5,585,499 | (27,545) | (728,200) |
| Income tax paid | | (127,006) | (88,481) | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | | 7,088,144 | 5,497,018 | (27,545) | (728,200) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

DIZZ GROUP OF COMPANIES LIMITED – CONSOLIDATED ACCOUNTS

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2022

| | Note | Group | | Company | |
|--|------|--------------------|--------------------|-----------|-----------|
| | | 2022 € | 2021 € | 2022 € | 2021 € |
| Cash flows from investing activities | | | | | |
| Payments to acquire property, plant and equipment | | (3,210,397) | (2,235,685) | - | - |
| Proceeds from disposal of investment property | | 2,737,000 | 408,478 | - | - |
| Payments for investment property | | (280,400) | (395,950) | - | - |
| Payments for intangible assets | | (40,000) | - | - | - |
| Receipts from third party | | 18,733 | 12,250 | - | - |
| Disposal of property, plant and equipment | | 278,000 | - | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash used in investing activities | | (497,064) | (2,210,907) | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash flows from financing activities | | | | | |
| Interest on bank overdraft paid | | (209,602) | (122,920) | - | - |
| Advances to bank loan | | (447,541) | (171,578) | - | - |
| Advances to related parties | | (992,512) | (1,053,590) | - | (132,150) |
| Advances to related companies | | (1,597,402) | (832,252) | 27,545 | 883,162 |
| Interest paid on bonds | | (891,250) | (891,250) | - | - |
| Payment of finance leases | | (2,857,285) | (2,408,115) | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | | (6,995,592) | (5,479,705) | 27,545 | 751,012 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net movement in cash and cash equivalents | | (404,512) | (2,193,594) | - | 22,812 |
| Cash and cash equivalents at beginning of year | | (2,974,209) | (780,615) | - | (22,812) |
| Acquired by the group | | 10,996 | - | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 20 | (3,367,725) | (2,974,209) | - | - |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 REPORTING ENTITY AND OTHER INFORMATION

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

These financial statements are presented in Euro.

The following is a list of retail outlets that 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 |
| Liu - Jo | DK Fashion Co. Limited | Centerparc, Triq it-Tigrija, Qormi |
| Boggi | DK Fashion Co. Limited | DMall, Tigne Point, Sliema |
| Max & Co | DK Fashion Co. Limited | DMall, Tigne Point, Sliema |
| TheCorner.com | DK Fashion Co. Limited | Triq Ross, St Julians |
| 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, Triq it-Tigrija, Qormi |
| Terranova | Dizz Limited | Zabbar Road Fgura |
| Calliope | Dizz Limited | DMall, Tigne Point, Sliema |
| Calliope | Dizz Limited | Bay Street Complex, St George's Road St Julians |
| Calliope | Dizz Limited | Centerparc, Triq it-Tigrija, Qormi |
| 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 |
| Paul & Shark | DK V & Co Limited | DMall, Tigne Point, Sliema |
| Harmont & Blaine | DK V & Co Limited | Bay Street Complex, St George's Road St Julians |
| 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 2022

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 | DK V & Co Limited | Bisazza Street, Sliema |
| D Outlet | Various | Triq il-Kappilan Mifsud, St Venera |
| KIKO | Dizz Franchises Limited | Merchants Street Valletta |
| KIKO | Dizz Franchises Limited | Triq Valletta, il Mosta, Pama Shopping Mall |
| KIKO | Dizz Franchises Limited | DMall, Tigne Point, Sliema |
| KIKO | Dizz Franchises Limited | Bay Street Complex, St George's Road St Julians |
| KIKO | Dizz Franchises 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 | DMall, Tigne Point, Sliema |
| Caffe' Pascucci | DK Pascucci Limited | Triq il-Gzira, Gzira |
| Salad Box | DK Pascucci Limited | DMall, Tigne Point, Sliema |
| Nespresso | DCaffe Limited | Triq Valletta, il Mosta, Pama Shopping Mall |
| Nespresso | DCaffe Limited | Triq l-Imdina, Mriehel |
| Nespresso | DCaffe Limited | Centerparc, Triq it-Tigrija, Qormi |
| Nespresso | DCaffe Limited | DMall, Tigne Point, Sliema |
| Nespresso | DCaffe Limited | Duke's Shopping Complex, Victoria, Gozo |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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 2022 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 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 9 Financial Instruments</i> | 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>IAS 16 Property, Plant and Equipment</i> | Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use | 1 January 2022 |
| <i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i> | Amendments regarding the costs to include when assessing whether a contract is onerous | 1 January 2022 |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

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

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

| Standard | Subject of amendment | Effective date |
|--|--|-----------------------|
| <i>IFRS 4 Insurance Contracts</i> | Amendments regarding the expiry date of the deferral approach | 1 January 2023 |
| <i>IFRS 17 Insurance Contracts</i> | Original issue | 1 January 2023 |
| | Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023) | 1 January 2023 |
| <i>IAS 1 Presentation of Financial statements</i> | Amendments regarding the classification of liabilities | 1 January 2024 |
| | Amendment to defer the effective date of the January 2020 amendments | 1 January 2024 |
| | Amendment regarding the disclosure of accounting policies | 1 January 2023 |
| | amendments regarding the classification of debt with covenants | 1 January 2024 |
| <i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> | Amendments regarding the definition of accounting estimates | 1 January 2023 |
| <i>IAS 12 Income Taxes</i> | Amendments regarding deferred tax on leases and decommissioning obligations | 1 January 2023 |
| <i>IFRS 16 Leases</i> | Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions | 1 January 2024 |

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 2022

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

In preparing these financial statements, the directors of Dizz Group of Companies Limited commissioned its external financial advisors to prepare a report covering the Dizz Group's operations and forecasts. Taking into consideration all of these factors, 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 2022

3 ACCOUNTING POLICIES (continued)

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 2022

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 2022

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 amortised 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 2022

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 2022

3 ACCOUNTING POLICIES (continued)

3.5 LEASES (continued)

3.5.2 The Group as a lessor (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 2022

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 2022

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 liability is 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 asset and liability is 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 liability is 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 asset 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 asset 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 liability 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 asset and liability is offset when there is a legally enforceable right to set off current tax asset against current tax liability 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 2022

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 2022

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 2022

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 2022

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 2022

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 2022

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 25.

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 2022

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 REVENUE

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

| | Group | | Company | |
|-------------------------------|-------------------|-------------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Sale of fashion-related items | 15,776,244 | 14,114,117 | - | - |
| Sale of food and beverages | 4,870,609 | 4,063,090 | - | - |
| | <u>20,646,853</u> | <u>18,177,207</u> | <u>-</u> | <u>-</u> |

5 INVESTMENT INCOME

| | Group | | Company | |
|---|----------------|----------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Rental income from investment property | 761,408 | 717,275 | - | - |
| Interest income: Other loans and receivables | <u>7,119</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>768,527</u> | <u>717,275</u> | <u>-</u> | <u>-</u> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

6 OTHER INCOME

| | Group | | Company | |
|---|------------------|------------------|----------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | € | € | € | € |
| Gains on disposal of property, plant and equipment | 1,119,974 | 31,600 | - | - |
| Other income | 3,167,736 | 2,186,347 | - | - |
| Movement in fair value | (978,920) | (31,600) | - | - |
| Gain on investment | 1,117 | - | - | - |
| Wage supplement | 92,219 | 1,001,418 | - | - |
| | <u>3,402,126</u> | <u>3,187,765</u> | <u>-</u> | <u>-</u> |

7 FINANCE COSTS

| | Group | | Company | |
|-----------------------------------|------------------|------------------|----------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | € | € | € | € |
| Interest on bank overdraft | 208,781 | 122,920 | - | - |
| Interest on bank loan | 821 | 9,827 | - | - |
| Interest on bonds | 867,479 | 867,479 | - | - |
| Interest expense on finance lease | 1,291,949 | 1,321,628 | - | - |
| Amortisation of bond issue costs | 40,448 | 41,855 | - | - |
| Hire purchase interest | 8,157 | - | - | - |
| | <u>2,417,635</u> | <u>2,363,709</u> | <u>-</u> | <u>-</u> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

8 LOSS BEFORE TAX

| | Group | | Company | |
|---|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Loss before tax is stated after charging: | | | | |
| Auditors' remuneration | 82,578 | 70,085 | 1,620 | 1,605 |
| Directors' remuneration | 133,490 | 132,797 | - | - |
| Staff costs (note 9) | 4,008,231 | 3,279,888 | - | - |
| Depreciation of property, plant and equipment | 1,711,577 | 1,451,092 | - | - |
| Amortisation of right of use asset | 2,088,382 | 2,296,258 | - | - |
| Amortisation of intangible assets | 71,550 | 71,550 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

9 STAFF COSTS

| | Group | | Company | |
|-----------------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Wages and salaries | 3,813,987 | 3,066,127 | - | - |
| Social security costs | 194,244 | 213,761 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 4,008,231 | 3,279,888 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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

| | Group | | Company | |
|----------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Administration | 25 | 21 | - | - |
| Operational | 209 | 187 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 234 | 208 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

10 INCOME TAX**10.1 Income tax recognised in the consolidated statement of comprehensive income**

| | Group | | Company | |
|--|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Current tax: | | | | |
| In respect of current year | 129,710 | 17,500 | - | - |
| Deferred tax: | | | | |
| In respect of current year | (8,357) | 42,407 | - | - |
| In respect of current year- investment property | 176,800 | 15,176 | - | - |
| | 168,443 | 57,583 | - | - |
| Total income tax recognised in the current year | 298,153 | 75,083 | - | - |

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

| | Group | | Company | |
|--|--------------|-------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Loss before tax | (1,538,803) | (1,931,326) | (31,439) | (55,652) |
| Theoretical tax at 35% | (538,581) | (675,964) | (11,004) | (19,478) |
| Effect of expenses that are not deductible in determining taxable profit | 884,886 | 748,055 | - | - |
| Effect of income that is exempt from taxation | (17,069) | (14,508) | - | - |
| Effect of income with different tax of rate | (373,705) | 6,440 | - | - |
| Revaluation gain on investment property | 342,622 | 11,060 | - | - |
| Other movements | - | - | 11,004 | 19,478 |
| | 298,153 | 75,083 | - | - |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

10 INCOME TAX (continued)**10.2 Deferred tax recognised in other comprehensive income**

| | Group | | Company | |
|-----------------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Deferred tax: | | | | |
| Property revaluations | (717,119) | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

10.3 Current tax liabilities

| | Group | | Company | |
|--------------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Income tax payable | 589,684 | 586,980 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

10.4 Deferred tax balances

| | Group | | Company | |
|------------------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Deferred tax asset | 2,494,753 | 2,117,950 | - | - |
| Deferred tax liability | (1,996,201) | (842,282) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 498,552 | 1,275,668 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

10 INCOME TAX (continued)

10.4 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>2022</u> | | | | | |
| Property, plant and equipment | (414,829) | (292,538) | (717,119) | - | (1,424,486) |
| Investment property | (424,291) | 115,738 | - | - | (308,553) |
| | <u>(839,120)</u> | <u>(176,800)</u> | <u>(717,119)</u> | <u>-</u> | <u>(1,733,039)</u> |
| Tax losses | 1,163,523 | 8,357 | - | 108,446 | 1,280,326 |
| Others | 951,265 | - | - | - | 951,265 |
| | <u>2,114,788</u> | <u>8,357</u> | <u>-</u> | <u>108,446</u> | <u>2,231,591</u> |
| | <u>1,275,668</u> | <u>(168,441)</u> | <u>(717,119)</u> | <u>108,444</u> | <u>498,552</u> |
| <u>2021</u> | | | | | |
| Property, plant and equipment | (408,698) | (6,131) | - | - | (414,829) |
| Investment property | (409,115) | (15,176) | - | - | (424,291) |
| | <u>(817,813)</u> | <u>(21,307)</u> | <u>-</u> | <u>-</u> | <u>(839,120)</u> |
| Tax losses | 1,199,799 | (36,276) | - | - | 1,163,523 |
| Others | 951,265 | - | - | - | 951,265 |
| | <u>2,151,064</u> | <u>(36,276)</u> | <u>-</u> | <u>-</u> | <u>2,114,788</u> |
| | <u>1,333,251</u> | <u>(57,583)</u> | <u>-</u> | <u>-</u> | <u>1,275,668</u> |

11 LOSS PER SHARE

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Loss for the year | (1,836,956) | (2,006,409) | (31,439) | (55,652) |
| Weighted number of ordinary shares | 8,934,562 | 7,719,192 | 8,934,562 | 7,719,192 |
| | <u>(0.21)</u> | <u>(0.26)</u> | <u>(0.004)</u> | <u>(0.01)</u> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12 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 2021 | 7,655,176 | 3,633,914 | 559,593 | 10,060,109 | 559,947 | 336,189 | 752,768 | 685,628 | 24,243,324 |
| Additions | 685,856 | 869,453 | 42,547 | 493,015 | 83,898 | 66,445 | 9,227 | 9,015 | 2,259,456 |
| Disposal | - | - | - | (25,359) | - | - | (97,200) | - | (122,559) |
| At 31 December 2021 | 8,341,032 | 4,503,367 | 602,140 | 10,527,765 | 643,845 | 402,634 | 664,795 | 694,643 | 26,380,221 |
| At 1 January 2022 | 8,341,032 | 4,503,367 | 602,140 | 10,527,765 | 643,845 | 402,634 | 664,795 | 694,643 | 26,380,221 |
| Acquired by group | - | - | 18,587 | 604,976 | 17,550 | - | - | - | 641,113 |
| Additions | 906,677 | 150,125 | 14,122 | 2,093,187 | - | 24,050 | 33,721 | 12,286 | 3,234,168 |
| Disposal | - | (30,363) | (11,120) | (69,549) | - | (96,220) | (12,664) | - | (219,916) |
| Revaluation | 8,963,987 | - | - | - | - | - | - | - | 8,963,987 |
| At 31 December 2022 | 18,211,696 | 4,623,129 | 623,729 | 13,156,379 | 661,395 | 330,464 | 685,852 | 706,929 | 38,999,573 |
| <u>Depreciation</u> | | | | | | | | | |
| At 1 January 2021 | - | 461,352 | 268,094 | 5,267,108 | 399,317 | 110,943 | 499,519 | 156,706 | 7,163,039 |
| Charge for the year | - | 220,451 | 100,683 | 885,520 | 75,805 | 35,404 | 88,616 | 44,613 | 1,451,092 |
| Release on disposal | - | - | - | (17,731) | - | - | (24,300) | - | (42,031) |
| At 31 December 2021 | - | 681,803 | 368,777 | 6,134,897 | 475,122 | 146,347 | 563,835 | 201,319 | 8,572,100 |
| At 1 January 2022 | - | 681,803 | 368,777 | 6,134,897 | 475,122 | 146,347 | 563,835 | 201,319 | 8,572,100 |
| Acquired by the group | - | - | 3,098 | 107,047 | 7,020 | - | - | - | 117,165 |
| Charge for the year | - | 292,222 | 80,458 | 1,130,317 | 71,347 | 36,545 | 55,328 | 45,360 | 1,711,577 |
| Release on disposal | - | (28,660) | (4,824) | (6,003) | - | (33,402) | (11,650) | - | (84,539) |
| At 31 December 2022 | - | 945,365 | 447,509 | 7,366,258 | 553,489 | 149,490 | 607,513 | 246,679 | 10,316,303 |
| <u>Carrying amounts</u> | | | | | | | | | |
| At 31 December 2022 | 18,211,696 | 3,677,764 | 176,220 | 5,790,121 | 107,906 | 180,974 | 78,339 | 460,250 | 28,683,270 |
| At 31 December 2021 | 8,341,032 | 3,821,564 | 233,363 | 4,392,868 | 168,723 | 256,287 | 100,960 | 493,324 | 17,808,121 |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12 PROPERTY, PLANT AND EQUIPMENT (continued)**12.1 Valuation techniques used to determine level 2 fair values**

The Company has engaged an independent asset valuer to value its properties using a fair value measurement approach in accordance. The properties have been valued using Level 2 inputs, which are observable inputs, direct or indirect, such as quoted prices for similar assets or liabilities in markets that are not active.

The Level 2 inputs used in the valuation included market data for similar properties in the same location. For higher value properties, more in-depth data has been analysed and provided by the valuer. The independent asset valuer also considered the physical condition of the property and its current and potential use.

The fair value measurement of the properties as at the reporting date was determined to be €18,211,696.

The Company has reviewed the valuation report prepared by the independent asset valuer and has assessed the appropriateness of the valuation methodology and the inputs used in the valuation. The Company believes that the fair value measurement of the property represents a reasonable estimate of the property's value as at the reporting date.

| Group | Fair value € |
|--|--------------------|
| <u>2022</u> | |
| <u>Store:</u> Carob Street – St. Venera | 255,000 |
| <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 | 16,141,696 |
| <u>Cafeteria:</u> Gzira | 890,000 |
| | <hr/> |
| | 18,211,696 |
| | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

12 PROPERTY, PLANT AND EQUIPMENT (continued)**12.1 Valuation techniques used to determine level 2 fair values (continued)**2021Store:

Carob Street – St. Venera 254,500

Shop:

Kappillan Mifsud Street – St. Venera 650,000

Office:

Carob Street – St. Venera 275,000

Land:

The Hub-Land – Mriehel 6,271,532

Cafeteria:

Gzira 890,000

8,341,032

12.2 Assets pledged as security

Land and buildings with a carrying amount of approximately €5,215,901 have been hypothecated to secure borrowings of the Group. The land and buildings have been hypothecated as security for bank overdraft. The Group is not allowed to hypothecate these assets as security for other borrowings or to sell any of them to other entities.

13 INVESTMENT PROPERTY

| | Group | | Company | |
|------------------------------|--------------|-----------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Balance at beginning of year | 6,162,252 | 6,166,302 | - | - |
| Additions | 280,400 | 395,950 | - | - |
| Movement in fair value | (978,420) | (31,600) | - | - |
| Disposal of property | (1,617,026) | (368,400) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at end of year | 3,847,206 | 6,162,252 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

13 INVESTMENT PROPERTY (continued)**13.1 Valuation techniques used to determine level 2 fair values**

The Company has engaged an independent asset valuer to value its properties using a fair value measurement approach in accordance. The properties have been valued using Level 2 inputs, which are observable inputs, direct or indirect, such as quoted prices for similar assets or liabilities in markets that are not active.

The Level 2 inputs used in the valuation included market data for similar properties in the same location. For higher value properties, more in-depth data has been analysed and provided by the valuer. The independent asset valuer also considered the physical condition of the property and its current and potential use.

The fair value measurement of the properties as at the reporting date was determined to be €3,847,206.

The Company has reviewed the valuation report prepared by the independent asset valuer and has assessed the appropriateness of the valuation methodology and the inputs used in the valuation. The Company believes that the fair value measurement of the property represents a reasonable estimate of the property's value as at the reporting date.

| Group | Fair value € |
|--|--------------------|
| <u>2022</u> | |
| <u>Residential units situated at:</u> | |
| Apartment 2, Church Street – St Julians | 450,000 |
| Apartment Savoy Gardens – Gzira | 260,000 |
| Apartment 13, Waterside Apartments, Ix-Xatt ta' Qui Si Sana – Sliema | 1,303,680 |
| Apartment 6, Byron Court, Ix-Xatt ta' Qui Si Sana – Sliema | 946,320 |
| Aquarius Maisonette & Garage – Swieqi | 375,000 |
| Apartment Compass Rose | 231,302 |
| Apartment 3, Platinum Mansions, Triq Nazju Ellul – Msida | 280,904 |
| | 3,847,206 |
| <u>2021</u> | |
| <u>Residential units situated at:</u> | |
| Apartment 2, Church Street – St Julians | 450,000 |
| Apartment Savoy Gardens – Gzira | 260,000 |
| 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 |
| Apartment Portomaso | 395,950 |
| | 6,162,252 |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

14 RIGHT OF USE ASSETS

| Group | Property | Motor Vehicle | Total |
|-------------------------|-----------------|----------------------|--------------|
| | € | € | € |
| <u>Cost</u> | | | |
| At 1 January 2022 | 33,198,274 | - | 33,198,274 |
| Additions | 1,119,086 | 153,000 | 1,272,086 |
| Disposal | (1,192,878) | - | (1,192,878) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2022 | 33,124,482 | 153,000 | 33,277,482 |
| | <hr/> | <hr/> | <hr/> |
| <u>Amortisation</u> | | | |
| At 1 January 2022 | 6,056,235 | - | 6,056,235 |
| For the year | 2,040,942 | 47,440 | 2,088,382 |
| Release on disposal | (1,192,878) | - | (1,192,878) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2022 | 6,904,299 | 47,440 | 6,951,739 |
| | <hr/> | <hr/> | <hr/> |
| <u>Carrying amounts</u> | | | |
| At 31 December 2022 | 26,220,183 | 105,560 | 26,325,743 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2021 | 27,142,039 | - | 27,142,039 |
| | <hr/> | <hr/> | <hr/> |

14.1 Amounts recognised in consolidated statement of comprehensive income

| | |
|--|-------------|
| Group | 2022 |
| | € |
| Amortisation expense on right of use assets | 2,088,382 |
| Interest expense on finance lease | 1,291,949 |
| Expense relating to leases of low value assets | 878,362 |
| | <hr/> |
| Group | 2021 |
| | € |
| Amortisation expense on right of use assets | 2,296,258 |
| Interest expense on finance lease | 1,321,628 |
| Expense relating to leases of low value assets | 594,562 |
| | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

15 INTANGIBLE ASSETS

| Group | € |
|-------------------------------------|-----------|
| <u>Cost</u> | |
| At 1 January 2021/ 31 December 2021 | 1,580,922 |
| | <hr/> |
| At 1 January 2022 | 1,580,922 |
| Additions | 40,000 |
| | <hr/> |
| At 31 December 2022 | 1,620,922 |
| | <hr/> |
| <u>Amortisation</u> | |
| At 1 January 2021 | 779,957 |
| For the year | 71,550 |
| | <hr/> |
| At 31 December 2021 | 851,507 |
| | <hr/> |
| At 1 January 2022 | 851,507 |
| For the year | 71,550 |
| | <hr/> |
| At 31 December 2022 | 923,057 |
| | <hr/> |
| <u>Carrying amount</u> | |
| At 31 December 2022 | 677,865 |
| | <hr/> |
| At 31 December 2021 | 729,415 |
| | <hr/> |

Note:

The intangible asset arises from the acquisition of rights over leased outlets when entering into a new lease agreement. Amortisation of intangible assets vary between 5 to 20 years.

16 INVESTMENT IN SUBSIDIARIES

The investment in group undertakings is as follows:

| | Company |
|---------------------|----------------|
| | € |
| <u>Cost</u> | |
| At 1 January 2021 | 5,914,085 |
| Additions | - |
| | <hr/> |
| At 31 December 2021 | 5,914,085 |
| | <hr/> |
| At 1 January 2022 | 5,914,085 |
| Additions | 1,215,370 |
| | <hr/> |
| At 31 December 2022 | 7,129,455 |
| | <hr/> |

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

16 INVESTMENT IN SUBSIDIARIES (continued)

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting power held | |
|----------------------------|-------------------------------------|--|--|------|
| | | | 2022 | 2021 |
| 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% | 100% |
| Dizz Manufacturing Limited | Production of fashion-related items | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| DK G Limited | Retail | Dizz Buildings Carob Street St. Venera | 100% | 100% |

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 | |
|--------------------------|--------------------|--|--|------|
| | | | 2022 | 2021 |
| D Shopping Malls Limited | Property/Finance | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| Dizz Retail Limited | Make up store | Dizz Buildings Carob Street St. Venera | 100% | 100% |

D Foods Finance PLC Limited has another subsidiaries as follows:

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting power held | |
|-----------------------|----------------------------|--|--|------|
| | | | 2022 | 2021 |
| DK Pascucci Limited | Sale of food and beverages | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| D Kitchen Lab Limited | Sale of food and beverages | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| D Caffè Limited | Sale of food and beverages | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| D Foods House 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 2022

16 INVESTMENT 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 | |
|---------------------------------|--------------------|--|--|------|
| | | | 2022 | 2021 |
| D Shopping Malls Finance P.L.C. | Finance | Dizz Buildings Carob Street St. Venera | 100% | 100% |

Dizz Retail Limited has another subsidiaries as follows:

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting power held | |
|-------------------------|--------------------|--|--|------|
| | | | 2022 | 2021 |
| DK Fashion Limited | Retail | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| DKV & Co Limited | Retail | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| Dizz Limited | Retail | Dizz Buildings Carob Street St. Venera | 100% | 100% |
| Dizz Franchises Limited | Retail | Dizz Buildings Carob Street St. Venera | 100% | - |

Goodwill on investment in subsidiaries

| | Group € |
|------------------------------------|--------------------|
| <u>Cost</u> | |
| At 1 January 2021/31 December 2021 | 4,425,592 |
| At 1 January 2022 | 4,425,592 |
| Additions | 2,654,508 |
| At 31 December 2022 | <u>7,080,100</u> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

17 OTHER FINANCIAL ASSETS AT AMORTISED COST

| | Group | | Company | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | € | € | € | € |
| Loans and receivables | | | | |
| Loan from third party (note) | 49,961 | 68,694 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Note:

The amounts due from third party represent dues from Dal Café Limited. The amount is unsecured, bear interest at 6% per annum and repayable in monthly instalments as per agreement made between the parties concerned.

18 INVENTORIES

| | Group | | Company | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | € | € | € | € |
| Goods held for resale | 3,938,677 | 4,023,265 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The inventories as at 31 December 2022 stated above do not include goods held on consignment by the Group.

19 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | € | € | € | € |
| <u>Amounts falling due within one year:</u> | | | | |
| Trade receivables | 1,008,581 | 372,090 | - | - |
| Other receivables | 4,299,543 | 2,717,276 | - | - |
| Amounts due from related companies (note a) | 4,112,173 | 2,514,199 | 5,114,623 | 5,113,078 |
| Amounts due from related parties (note a) | 656,726 | 1,413,844 | | |
| Prepayments and deferred costs | 1,175,092 | 2,408,446 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | 11,252,115 | 9,425,855 | 5,114,623 | 5,113,078 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Note:

a) The amounts due from related companies include amounts from related companies whose ultimate beneficial owners are the same persons of the Group. Amounts due from related parties are unsecured, interest free and repayable on demand. Amounts are net of expected credit losses as outlined in Note 3.16. Expected credit losses for the group amount to € 36,114 (2021: € 33,145).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

20 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|-----------------|--------------|-------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Cash in bank | 269,451 | 209,100 | - | - |
| Bank overdrafts | (3,637,176) | (3,183,309) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (3,367,725) | (2,974,209) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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.

21 ISSUED CAPITAL

| | Company | |
|---|----------------|------------|
| | 2022 € | 2021 € |
| <u>Authorised</u> 10,000,000 ordinary shares of €1 each | 10,000,000 | 10,000,000 |
| <u>Called-up, issued and fully paid</u> 8,934,562/(2021: 7,719,192) ordinary shares of €1 each | 8,934,562 | 7,719,192 |
| | <hr/> | <hr/> |

22 OTHER RESERVES

| Group | € |
|--|------------|
| <u>Properties Revaluations Reserve</u> | |
| At 31 December 2021 | 4,203,579 |
| Movement in revaluation reserve net of tax | 8,247,368 |
| | <hr/> |
| At 31 December 2022 | 12,450,947 |
| | <hr/> |

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 2022

23 (ACCUMULATED LOSSES)/RETAINED EARNINGS**Group**

| | € |
|--|-------------|
| At 1 January 2021 | (5,153,999) |
| Loss for the year attributable to owners | (2,006,409) |
| | <hr/> |
| At 31 December 2021 | (7,160,408) |
| | <hr/> |
| At 1 January 2022 | (7,160,408) |
| Loss for the year attributable to owners | (1,836,956) |
| | <hr/> |
| At 31 December 2022 | (8,997,364) |
| | <hr/> |

Company

| | |
|---------------------|-----------|
| At 1 January 2021 | 1,652,573 |
| Loss for the year | (55,652) |
| | <hr/> |
| At 31 December 2021 | 1,596,921 |
| | <hr/> |
| At 1 January 2022 | 1,596,921 |
| Loss for the year | (31,439) |
| | <hr/> |
| At 31 December 2022 | 1,565,482 |
| | <hr/> |

24 NON-CONTROLLING INTEREST**Group**

| | € |
|---------------------|-------|
| At 1 January 2021 | 2 |
| For the year | - |
| | <hr/> |
| At 31 December 2021 | 2 |
| | <hr/> |
| At 1 January 2022 | 2 |
| For the year | (1) |
| | <hr/> |
| At 31 December 2022 | 1 |
| | <hr/> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

25 BORROWINGS

| | Group | | Company | |
|---|--------------|------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| <u>Amounts falling due after one year:</u> | | | | |
| 5% Bonds 2026 (iii) | 7,912,836 | 7,887,105 | - | - |
| 5.35% Bonds 2028 (iv) | 7,451,789 | 7,443,512 | - | - |
| 3% Bonds notes 2030 (v) | 2,954,919 | 2,948,479 | - | - |
| Bank loans (ii) | 1,918,584 | 1,808,011 | - | - |
| | 20,238,128 | 20,087,107 | - | - |
| <u>Amounts falling due within one year:</u> | | | | |
| Bank overdraft (i) | 3,637,176 | 3,183,309 | - | - |
| Bank loans (ii) | 433,361 | 439,169 | - | - |
| | 4,070,537 | 3,622,478 | - | - |
| Total borrowings | 24,308,665 | 23,709,585 | - | - |

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 4.875% (2021: 4.9%).
- (ii) The first 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.
- The second bank loan is with BOV MDB SME Invest Loan. It bears an interest rate of 5%.
- The third bank loan is with BOV PLC. It bears an interest rate of 4%. The monthly repayment amounting to € 4,774.77.
- (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 2022

25 BORROWINGS (continued)**Summary of borrowing arrangements (continued)**

(v) On the 21 of July 2020 D Food Finance PLC 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 € 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.

26 LEASE LIABILITIES

| | Group | | Company | |
|----------------------------|--------------|------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Maturity analysis: | | | | |
| One year | 2,089,677 | 2,342,407 | - | - |
| Between two and five years | 4,448,014 | 6,878,435 | - | - |
| After five years | 18,752,496 | 17,086,433 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 25,290,187 | 26,307,275 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

27 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--|--------------|------------|----------------|-----------|
| | 2022 € | 2021 € | 2022 € | 2021 € |
| <u>Amounts falling due after more than one year:</u> | | | | |
| Other payables (note b) | 9,372,742 | 3,758,186 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <u>Amounts falling due within one year:</u> | | | | |
| Trade payables (note a) | 6,541,141 | 5,828,012 | 5,517 | - |
| Other payables (note b) | 3,648,730 | 5,741,172 | - | - |
| Amounts due to related parties (note c) | 572 | - | 1,723,446 | 1,697,446 |
| Accruals | 503,073 | 576,426 | 15,071 | 13,604 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 10,693,516 | 12,145,610 | 1,744,034 | 1,711,050 |
| | <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 € 12,622,827 (2021: € 9,308,402). Such balances have agreed credit terms.
- Amounts due to related parties are unsecured, interest free, and repayable on demand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

28 FINANCIAL INSTRUMENTS**28.1 CATEGORIES OF FINANCIAL INSTRUMENTS**

| | Group | |
|-------------------------|--------------|---------|
| | 2022 | 2021 |
| | € | € |
| Financial assets | | |
| Cash and bank balances | 269,451 | 209,100 |
| Loans and receivables | 49,961 | 68,694 |
| | 269,451 | 209,100 |

28.2 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.

28.3 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 25 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 27. 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 2022

28 FINANCIAL INSTRUMENTS (continued)**28.4 CREDIT RISK**

Credit risk arises from credit exposure to customers and amounts held with financial institutions (notes 19 and 20). 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 | |
|-----------------------------|--------------|-----------|
| | 2022 | 2021 |
| | € | € |
| Trade and other receivables | 5,308,124 | 3,089,366 |
| Cash at bank and in hand | 269,451 | 209,100 |
| | <hr/> | <hr/> |
| | 5,577,575 | 3,298,466 |
| | <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 2022 and 2021, no trade receivables were impaired.

Amounts are net of expected credit losses as outlined in Note 3.16. Expected credit losses for the group amount to € 32,150.

28.5 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 25, 26 and 27). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

28 FINANCIAL INSTRUMENTS (continued)**28.5 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 2022 | | | | | | |
| Bank overdrafts | 3,637,176 | 3,637,176 | 3,637,176 | 3,637,176 | - | - |
| Bank loans | 2,351,945 | 2,351,945 | 433,361 | 433,361 | 1,918,584 | - |
| Trade and other payables | 10,189,871 | 10,189,871 | 10,189,871 | 10,189,871 | - | - |
| Lease liabilities | 25,290,188 | 25,290,188 | 2,089,677 | 2,089,677 | 4,448,014 | 18,752,496 |
| Bonds and notes | 18,319,544 | 23,718,750 | 891,250 | 891,250 | 11,165,000 | 11,662,500 |
| | <u>59,788,724</u> | <u>65,187,930</u> | <u>17,241,335</u> | <u>17,241,335</u> | <u>17,531,598</u> | <u>30,414,996</u> |
| At 31 December 2021 | | | | | | |
| Bank overdrafts | 3,183,309 | 3,183,309 | 3,183,309 | 3,183,309 | - | - |
| Bank loans | 2,247,180 | 2,247,180 | 439,169 | 439,169 | 1,808,011 | - |
| Trade and other payables | 11,566,184 | 11,566,184 | 11,566,184 | 11,566,184 | - | - |
| Lease liabilities | 26,307,275 | 26,307,275 | 2,342,407 | 2,342,407 | 6,878,435 | 17,086,433 |
| Bonds and notes | 18,279,096 | 24,208,750 | 891,250 | 891,250 | 11,565,000 | 11,752,500 |
| | <u>61,583,044</u> | <u>67,512,698</u> | <u>18,422,319</u> | <u>18,422,319</u> | <u>20,251,446</u> | <u>28,838,933</u> |

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

29 RELATED PARTY TRANSACTIONS

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

29.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

| | Group | |
|-------------------------|-------------------|-------------------|
| | 2022 € | 2021 € |
| Directors' remuneration | <u>133,490</u> | <u>132,797</u> |

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2022

29 RELATED PARTY TRANSACTIONS (continued)

29.2 (AMOUNTS TO)/AMOUNTS FROM RELATED PARTIES

| | Transaction value year ended 31 December | | Balance outstanding as at 31 December | |
|------------------------------------|---|-----------|--|-------------|
| | Group | | Group | |
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Amounts due from related companies | 1,597,974 | 832,252 | 4,112,173 | 2,514,199 |
| Amounts due from related party | (757,118) | 1,053,390 | 656,726 | 1,413,844 |
| Amounts due to related parties | (572) | - | (572) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | Company | | Company | |
| | 2022 € | 2021 € | 2022 € | 2021 € |
| Amounts due to related companies | (26,000) | (783,430) | (1,723,446) | (1,697,446) |
| Amounts due from related companies | 1,545 | 711,512 | 5,114,623 | 5,113,078 |
| | <hr/> | <hr/> | <hr/> | <hr/> |