

Reference: IGF 11-2018

Date: 10th August 2018

The following is a company announcement issued by IG Finance plc (C 78720), hereinafter the “Company” of BLB 018, Bulebel Industrial Estate, Zejtun, ZTN3000 Malta, issued in terms of the rules of Prospects, the market regulated as a multi-lateral trading facility operated by the Malta Stock Exchange (“Prospects”):

QUOTE

In adherence with Prospects Rule 4.01.01.07, an Independent Auditor’s Report on the Statement of Compliance with the Principles of Good Corporate Governance of IG Finance plc is being issued and made available to the public.

A copy of the Independent Auditor’s Report on the Statement of Compliance with the Principles of Good Corporate Governance is available for viewing on the Company’s website: www.igfinance.com.mt

UNQUOTE



Philip Mifsud
Company Secretary



The Directors
IG Finance p.l.c.
BLB018
Bulebel Industrial Estate
Zejtun, ZTN 3000
Malta

09 August 2018

Independent Auditor's Report on the Statement of Compliance with the Principles of Good Corporate Governance of IG Finance p.l.c.

To the directors of IG Finance p.l.c

We report on the Statement of Compliance of 31 December 2017 of IG Finance p.l.c.

This report is required in terms of rule 4.01.01.07 of the Prospects Rules issued by the Malta Stock Exchange and is given for the purpose of complying with that regulation and for no other purpose.

Directors' responsibilities for the Statement of Compliance

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

It is our responsibility to form an opinion, as required by rule 4.01.01.07 of the Prospects Rules, as to whether the Statement of Compliance has been properly prepared in accordance with the said rules.

We have carried out our work in accordance with ISAE 3000, 'Assurance Engagements Other than Audits and Reviews of Historical Financial Information'.

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The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.
A list of partners and directors of the firm is available at 78 Mill Street, Qormi, Malta.



Independent Auditor's Report on the Statement of Compliance with the Principles of Good Corporate Governance of IG Finance p.l.c.

To the directors of IG Finance p.l.c.

Auditor's responsibility - continued

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

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


Opinion

In our opinion, the Statement of Compliance set out on pages 1 to 7 has been properly prepared in accordance with the requirements of the Prospects Rules issued by the Malta Stock Exchange.

Restriction of use

This report has been prepared for the purpose of complying with rule 4.01.01.07 of the Prospects Rules and for no other purpose. We do not, in giving this opinion, 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 consent in writing.

Yours faithfully,



David Valenzia
Partner

PricewaterhouseCoopers
78 Mill Street
Qormi
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Malta

IG Finance plc

Corporate Governance - Statement of Compliance

Preliminary

The Company supports the Rules and also the stipulations of the said rules in relation to dealing restrictions.

The Issuer adopts a Code of Principles of Good Corporate Governance (the “Code”), guided by the Prospects Rules issued by the Malta Stock Exchange with the exceptions mentioned below, and is confident that by being guided by this Code this shall result in positive effects accruing to it. The Issuer adopts measures in line with the Code of Principles with a view to ensure that the all transitions are carried out at arm’s length.

The Board of Directors sets the strategy and direction of the Issuer and retains direct responsibility for appraising and monitoring the Issuer’s financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Issuer so as to protect the interests of bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Issuer’s compliance with its continuing obligations in terms of the rules of Prospects.

As required by the Act, the Issuer’s financial statements are to be subject to annual audit by the Issuer’s external auditors. Moreover, the non-executive Directors will have direct access to the external auditors of the Issuer who attend at Board meetings at which the company’s financial statements are approved. In ensuring compliance with other statutory requirements and with continuing admission obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Issuer’s expense.

The Company acts as a finance company to the Impresa Group and as such has minimal operations emanating from this task. Its primary function is the lending and monitoring of the proceeds of bonds issued to the public to its parent company. The Company has no employees but is managed by the directors and the company secretary.

The Guarantor

The Guarantor (Impresa Limited) is a private company and, accordingly, is not bound by the provisions of the Code set out in the Prospects Rules of the Malta Stock Exchange. While the Guarantor is not required to adopt the provisions of the Code, the Audit Committee which is set up at the level of the Guarantor has been specifically tasked with keeping a watching brief over the financial performance of the Issuer, the Guarantor and other Group subsidiaries.

Principle 1: The Board

The board of directors is responsible for the company's affairs, in particular in giving direction to the Company and being actively involved in overseeing the systems of controlling and financial reporting. The board has discussed the code and all directors are aware of their responsibilities as such.

The board of directors meets regularly to discuss policy decisions and to discuss the operations of the parent company, Impresa Ltd. The board is made up of eight Directors, two of which are completely independent from the Company or any related companies. Regular Board meetings are held in order to provide all relevant information to each Board member and to ensure that each Director is adequately informed of all key items specifically relating to operations and general day to day management.

Principle 2: The Company's Chairman and Chief Executive

The Company has adopted to clear separation of roles between the role of the Chairman and the Chief Executive of the Company. The Chief Executive role is further split between the two senior Executive Directors and explained within Principle 3 of this Statement of Compliance.

The Chairman has the role to allow directors to play a full and constructive role in the affairs of the company. In this regard, the Chairman leads the board and sets its agenda while ensuring that the board receives precise, timely and objective information through the Company Secretary. The Chairman also ensures effective communication with shareholders and actively encourages engagement by all board members for discussion of complex and contentious issues.

Principle 3: Composition of the Board

The Company has ensured to appoint to its Board of Directors members with a variety of skills, knowledge and expertise required for all business processes, mainly focussing on technical and financial aspects of the Group's Core Operations. The Board of Directors is made up of eight members as follows:

Independent, Non-executive Directors

Mr. Charles Borg (Chairman)
Eng. Joseph Restall (Non-Executive Director)

Executive Directors

Mr. Joseph Borg (Co-Chief Executive Officer)
Mr. Anton Borg (Co-Chief Executive Officer)
Mr. Mark Joseph Borg (Executive Director)
Mr. Julian Edward Borg (Executive Director)
Ms. Kristina Borg (Executive Director)

Non-executive Directors

Mr. Nicholas Borg (Non-Executive Director)

Secretary to the Board

Mr. Philip Mifsud

Principle 4: The Responsibilities of the Board

During the board meetings held, the agenda set forth has consistently been drawn up to ensure the following are adequately discussed and reported on:

- (i) Clear definition of the Company's strategy, through assessing management performance and business policies;
- (ii) Continuously assess and monitor the Company's present and future operations, opportunities, threats and risks both internally and in the external environment;
- (iii) Review of policies and procedures in place to ensure that the company and its employees maintain the highest standards of corporate conduct;
- (iv) Regular information sessions to ensure that directors are made aware of their duties and responsibilities;
- (v) Discussions on business risk and KPIs benchmarked against the Company's historic performance and budgeted performance;
- (vi) Management constantly monitor performance and report to its satisfaction fully and accurately on the key performance indicators; and
- (vii) Ensuring that the financial statements of the company and the annual audit thereof are complete within the stipulated time periods.

Principle 5: Board Meetings

The board ensures regular review and overall evaluation of corporate strategy, major operational and financial plans, risk policy, performance objectives, and implementation and corporate performance. During 2017 the Board met regularly and have planned a number of meetings for 2018. The board has targeted and set meetings to be held bi-monthly, however executive directors are entrusted to keep independent non-executive directors informed on matters arising even between such planned meetings.

Internal Control System

The company's internal control system is designed to ensure, as much as possible, transparency, independence and segregation of duties. The process is also designed to ensure reliable financial reporting, effective and efficient operations and compliance with applicable laws and regulations.

Whilst the board of directors is responsible for an effective internal control system, it relies on its effectiveness on the Group's financial controller and the audit committee. The Group's management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. Through these channels, the directors have reasonable assurance that risk factors are managed properly and that material misstatements in the financial statements are not likely to occur.

Risk Management

The objective of the risk management function of the Company is to minimise the cost of risk and to maximise return on assets.

Principle 5: Board Meetings - continued

Risk Management - continued

In order to manage the above mentioned risks, the financial controller during audit committee meetings and prior to presenting any quarterly figures, explains any issues in reporting and factors which may currently or in future provide difficulties in reaching such reporting targets. These periodic reports comment on areas likely to have elements of risk, highlighting any weaknesses or possible threats.

The audit committee makes recommendations, as necessary, to the Board.

Dealings by Directors and Senior Officers in the Company's Bonds

Conscious of its responsibility for monitoring dealings by directors and senior officers in the Company's bonds, the board approved a code of conduct for the transactions by directors and senior officers in compliance with the Prospects rules. The Insiders List which includes names of directors and senior officials together with all close relations who have to comply with the code has been filed with the listing authority at the Malta Financial Services Authority.

The board will continue to monitor the code in future years and will decide on an annual basis if the position cited above will apply.

Board Committees

The group (specifically Impresa Limited) established an audit committee. The terms of reference of the audit committee have been formally set out in a separate charter. The audit committee is composed of two non-executive directors and one executive director. The following directors sit on the committee:

Members

Chairman - Mr. Charles Borg (Non-Executive Director)
Member - Eng. Joseph Restall (Non-Executive Director)
Member - Mr. Julian Edward Borg (Executive Director)

Secretary to the Board

Mr. Philip Mifsud

The committee's primary objective is to assist the board in fulfilling the oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The audit committee reports directly to the board of directors and has continued to meet over 2017 regularly to ensure that, especially this being the first year, all reporting requirements are met accordingly.

The company secretary, is responsible to the board for ensuring that board procedures are complied with and to aid the chairman to ensure that all members receive precise, timely and objective information.

Principle 6: Information and Professional Development

Executive directors and management are committed to ensure that the board is adequately informed of all events and allows time during such meetings for high level discussions in order to allow all directors to put forward their ideas and perspectives. This allows management to ascertain themselves that a decision is taken knowledgeably and diligently.

Specifically when discussing more technical topics, the board ensures that directors, especially NEDs, have access to independent professional advice at company's expense where they judge it necessary to discharge their responsibilities as directors.

Principle 7: Evaluation of the board's performance

Under the present circumstance, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the board's performance is always under the scrutiny of the shareholders.

Principle 8: Nomination and Remuneration Committee

Due to the nature of the Company's restricted operational functions, the Board does not consider it necessary to set up a nomination committee. However the board believes that the members hold a variety of skills, knowledge and expertise required for all business processes.

With respect to the remuneration committee, the Board does not consider it necessary to set up such a committee. The directors received in aggregate €21,000 for services rendered during 2017. This remuneration has been approved by the directors. The board has resolved to disclose these fees in aggregate rather than as separate figures for each director as recommended by the code.

Principles 9: Relations with Shareholders and the Market

The Company is committed to maintain an informed market. Communication with bondholders has to date been handled by way of the Annual Report and Financial statements. The Company also communicates with bondholders via company announcements made through the Malta Stock Exchange as well as regularly updating as may be required on the Issuers website.

The Company also holds an Annual General Meeting with its Shareholders whereby a number of resolutions are looked into, mainly referring to:

- (i) The consideration for approval of the Audited Financial Statements both of the Company as a standalone company and of the Group of which the Company forms part of;
- (ii) Consideration of the reappointment of the Company's auditors, and the consideration to authorise the Board of Directors to determine their remuneration;
- (iii) The consideration to reappoint the Directors up to the next Annual General Meeting in accordance with the Company's Articles of Association

Principles 10: Institutional Shareholders

The Company has no institutional shareholders.

Principles 11: Conflicts of Interests

The Directors always act in the interest of the Company and its shareholders. If any director has a conflict of interest he is not allowed to vote on the matter or may even request not to be present during specific discussions.

Principles 12: Corporate Social Responsibility

The directors are committed to behave ethically and contribute to economic development whilst improving the quality of life of the company's workforce, their families and society in general. Initiatives have been put in place which are aimed at investing in human capital, health and safety, employee training and environmental awareness. Given the strong family business core of the company, the directors believe that such values should be echoed throughout the whole of the business organisation.

Non-Compliance with the Code

Principle 3: Composition of the Board

The Company does not have a majority of Non-Executive Directors nor does it have a majority of Independent Directors appointed to its Board of Directors. Given the size and circumstances of the company's business, this is not deemed necessary. The company would like to not that it does however adhere to the requirements as dictated in the Prospects Rules.

Principle 4: The Responsibilities of the Board

The non-executive directors have not signed a written statement stating that they will maintain independence in all circumstances, they will not seek or accept any unreasonable advantages that could be considered as compromising their independence, or/and that they will clearly express their opposition to any Board decision that may harm the company. The company and its independent directors feel that this is the responsibility and duty they have and have taken on when accepting such a role.

Principle 6: Information and Professional Development

Given the size and circumstances of the company's business, this is not deemed necessary.

The Company has discussed succession in depth and has plans to formalise these plans, however at a later stage. No time frame has been given as to when this will be effected.

Principle 7: Evaluation of the board's performance

Given the size and circumstances of the company's business, the company those not deem it necessary to carry out a board evaluation. The board feels that its performance is reflected in the company's annual performance itself, the reaching of investment targets and the potential for growth which is evaluated regularly.

Non-Compliance with the Code - continued


Principle 8: Nomination and Remuneration Committee


Given the size and circumstances of the company's business, the company does not deem it necessary to appoint a Nomination and Remuneration Committee as decisions on these matters are more adequately taken by the board of directors and at shareholder level.

Principle 9: Relations with Shareholders and the Market

The Company does not have procedures in place stipulated in the Company's Memorandum and Articles of Association as a mechanism to resolve conflict between minority and controlling shareholders.

Approved by the board of directors on 9 August 2018 and signed on behalf of:



Joseph Borg
Director

Anton Borg
Director