IG FINANCE plc

Annual Report and Financial Statements
31 December 2017

Company Registration Number: C78720

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The Company's principal activity is that of providing finance to other group companies.

The group's principal activities, as exercised by the holding company and its subsidiaries, and which are substantially unchanged since last year, are mainly the manufacture of electronic packaging products, electrical fittings and other injection moulded products for third parties.

Review of the Business

In recent years the group has undergone substantial re-organization to overcome past financial challenges. During 2016 (eventually carried out in 2017), the Group successfully issued a €3.7M 5.50% Unsecured Bond of nominal value €1,000 per Bond issues at par (€1,000) on Prospects. IG Finance plc (the SPV incorporated for the purpose of this bond and to act as the finance company of the Group) was in fact the first Maltese company to be listed on this secondary market. This provided a number of solutions and advantages towards the financial backbone of the Group, including but not limited to:

1. The possibility to exploit various business opportunities through further planned investments;
2. Spreading Group commitments over a longer period, bringing these in line with future inflows;
3. Access to the market; and
4. The introduction of Non-Executive Directors resulting in better Corporate Governance.

During the year, the company registered a profit before taxation of €988.

Income derived from interest charged on loans to related parties amounted to €146,801.

During the period under review, the accumulated interest payable on the bond amounted to €136,039.

The Directors expect that the activities of the company will remain consistent for the foreseeable future in line with the projected inflows and outflows.

Guarantor's (Impresa Limited) Performance for the year ending 2017 and outlook for 2018

The Group's turnover for the year increased by 9.8% from €5.6M during the year ended 31 December 2016 to €6.1M during the year ended 31 December 2017. The increase is a result of larger volumes sold to customer.

Cost of sales increased by 15% during the year. The greater increase does show that greater inefficiencies were resulted. Even though the group managed to achieve substantial cost savings during the year following its investment in more efficient machinery as well as in utility bills following an extensive investment in photovoltaic panels carried out in three separate phases over 2014 up to 2016, employee costs and the average number of persons employed by the company during the year did in fact increase.

Whilst in 2016 the EBITDA emanating from the Group's core business amounted to €1,108K, the EBITDA in 2017 was in fact €1,215K, which signifies another year on year growth in core business of 9.7%. Furthermore, the profit before tax of the group grew by 64.6% over 2016. The Group believes that the benefits from the investment and operational cost measures has continued to significantly improve the company's core business performance.

Directors' report - continued

Guarantor's (Impresa Limited) Performance for the year ending 2017 and outlook for 2018 - continued

In terms of balance sheet management, the Directors have projected a favourable balance sheet for 2018 together with another healthy growth in the Group's profitability.

As a result of the above indicated improved performance, together with the significant changed in the Group's financial model, as at 31 December 2017 current assets exceeded current liabilities by €2,673K against the €1,732K net current liability result of 2016.

It is vital to note that over the past four years the Group invested around €2.42M in new product lines and/or extensions to the existing operations with the objective of increasing profitability and improving its balance sheet. Further improvement was expected and resulted during 2017 through growth in turnover and therefore higher utilisation of the investment, besides further operational cost efficiency measures such as consolidation of all operations centrally.

During 2017, the group embarked on another investment plan which is planned over 2018 and 2019, totalling an amount of €1.56M. The Directors expect further growth in profitability in line with this planned investment.

Financial Risk Management

The company's activities expose it to a variety of financial risks, including credit and liquidity risk. Refer to Note 2 to these Financial Statements.

Results and dividends

The statement of comprehensive income are set out on page 15. The directors do not recommended a payment of a dividend.

Directors

The directors of the company who held office during the year were:

Mr. Charles Borg (Chairman) – Appointed on 2 March 2017
Mr. Joseph Borg (Co-Chief Executive Officer) – Appointed on 19 December 2016
Mr. Anton Borg (Co-Chief Executive Officer) – Appointed on 19 December 2016
Mr. Mark Joseph Borg (Executive Director) – Appointed on 2 March 2017
Mr. Julian Edward Borg (Executive Director) – Appointed on 2 March 2017
Ms. Kristina Borg (Executive Director) – Appointed on 23 August 2017
Eng. Joseph Restall (Non-Executive Director) – Appointed on 2 March 2017
Mr. Nicholas Borg (Non-Executive Director) – Appointed on 2 March 2017

The Company's Articles of Association do not require any director to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2017, 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 company and the guarantor face.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Mr. Anton Borg
Director

Mr. Joseph Borg
Director

Registered office
BLB018, Bulebel Industrial Estate
Zejtun, ZTN3000
Malta

26 March 2018

The principles of good corporate governance

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, guided by the Listing Rules of the Listing Authority (the "Code") 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 Listing Rules of the Listing Authority. 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.

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.

The principles of good corporate governance - continued

Executive Directors, Non-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)
Mr. Nicholas Borg (Non-Executive Director)

Independent, Non-executive Directors

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

Secretary to the Board

Mr. Philip Mifsud

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 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.

Remuneration Committee

Due to the nature of the Company's restricted operational functions, the Board does not consider it necessary to set up a remuneration 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.

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.

The principles of good corporate governance - continued

Commitment to Maintain an Informed Market

The Company communicates with bondholders 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.

Institutional Shareholders

The Company has no institutional shareholders.

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.

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, thief directors has 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.

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.

The principles of good corporate governance - continued

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 listing 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 sited above will apply.

Approved by the board of directors on 26 March 2018 and signed on its behalf by:

Mr. Anton Borg
Director

Mr. Joseph Borg
Director

Independent auditor's report

To the Shareholders of IG Finance plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- IG Finance plc's financial statements give a true and fair view of the company's financial position as at 31 December 2017, and of the 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
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

IG Finance plc's financial statements, set out on pages 14 to 27, comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - continued

To the Shareholders of IG Finance plc

Our audit approach

Overview

Overall materiality: €38,900, which represents 1% of total assets

Recoverability of loans issued to a fellow subsidiary

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditor's report - *continued*

To the Shareholders of IG Finance plc

Overall materiality	€38,900
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark since the company is in its first year of operations, during which the company issued corporate bonds which were in turn loaned to a fellow subsidiary. These loans constitute in principal the total assets of the company. We chose 1%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1,900 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Recoverability of loans issued to a fellow subsidiary Trade and other receivables include funds advanced to a fellow subsidiary, JAB Investments Limited, which loans have been granted at agreed rates of 6.1%. Loan balances due to the company as at 31 December 2017 amounted to €3.3 million. As explained in accounting policy note 1.4.3 the recoverability of the loans is assessed at the end of each financial year. The loans are the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms surrounding the loans to supporting loan agreements. We have assessed the financial soundness of Impresa Limited, which is the guarantor of the company's bonds. In doing this, we referred to the latest audited financial statements, management accounts, cash flow projections and forecasts made available to us. On the basis of evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

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Independent auditor's report - *continued*

To the Shareholders of IG Finance plc

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and The Principles of good corporate governance (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent auditor's report - *continued*

To the Shareholders of IG Finance plc

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance 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 those charged with governance 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.

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Independent auditor's report - *continued*

To the Shareholders of IG Finance plc

From the matters communicated with those charged with governance, 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.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

David Valenzia
Partner

26 March 2018

Statement of financial position

	Notes	As at 31 December 2017 €
ASSETS		
Non-current assets		
Trade and other receivables	4	2,972,526
Total non-current assets		2,972,526
Current assets		
Trade and other receivables	4	376,852
Cash and cash equivalents	5	453,664
Total current assets		830,516
Total assets		3,803,042
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	6	47,000
Retained earnings		988
Total equity		47,988
Non-current liabilities		
Borrowings	7	3,612,603
Total non-current liabilities		3,612,603
Current liabilities		
Trade and other payables	8	142,451
Total current liabilities		142,451
Total liabilities		3,755,054
Total equity and liabilities		3,803,042

The notes on pages 18 to 27 are an integral part of these financial statements.

The financial statements on pages 14 to 27 were authorised for issue by the Board on 26 March 2018 and were signed on its behalf by:

Mr Anton Borg
Director

Mr Joseph Borg
Director

Statement of comprehensive income

	Notes	Period from 19 December 2016 to 31 December 2017 €
Finance income	9	163,601
Finance costs	10	(136,039)
Net interest income		27,562
Administrative expenses	11	(20,331)
Amortisation of bond issue costs		(6,243)
Profit for the year – total comprehensive income		988
Earnings per share (cents)	12	0.02

The notes on pages 18 to 27 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
Balance as at 1 January 2017	47,000	-	47,000
Comprehensive income			
Profit for the year			
- total comprehensive income	-	988	988
Total comprehensive income	-	988	930
Balance at 31 December 2017	**47,000**	**988**	**47,988**

The notes on pages 18 to 27 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2017 €
Cash used in operating activities		
Cash used in operations	13	(3,199,696)
Net cash used in operating activities		(3,199,696)
Cash flows from financing activities		
Proceeds from issuance of share capital		47,000
Proceeds from issuance of bonds	7	3,606,360
Net cash generated from financing activities		3,653,360
Net movement in cash and cash equivalents		453,664
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year	5	453,664

The notes on pages 18 to 27 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, except as modified by the fair valuation of investment property.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Company's accounting periods beginning after 1 January 2017. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 Foreign currency translation

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company's functional and presentation currency.

1.3 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.4 Financial assets

1.4.1 Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. The Company's loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position (notes 1.5 and 1.6).

1.4.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have been expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.4.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

1. **Summary of significant accounting policies** - continued

1.5 Trade and other receivables

Trade receivables comprise amounts due from intercompany loan. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.4.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss for the year. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.7 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.

1.8 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.9 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include underwriting, legal and professional fees, stockbrokers' commission and advertising costs.

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

1.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss for the year, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on a time-proportion basis using the effective interest method. Finance income and costs are recognised as they accrue, unless collectability is in doubt.

1. Summary of significant accounting policies - continued

1.13 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2. Financial risk management

2.1 Financial risk factors

The Company's constitutes a financing special purpose vehicle whose bonds are guaranteed by Impresa Limited (parent company). The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to relate to currency risk and the directors deem interest rate risk exposure to be nominal due to matching of its interest costs on borrowings with finance income from its trade and other receivables referred to above.

The board of directors provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Credit risk

Credit risk arises from cash and cash equivalents and amounts receivable from fellow subsidiary (note 4). The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	2017
	€
Trade and other receivables (note 4)	3,349,378
Cash and cash equivalents (note 5)	453,664
	3,803,042

The company banks only with local financial institutions or entities with high quality standard or rating.

The company's receivables consist of receivables from fellow subsidiary and accordingly credit risk in this respect is limited.

(b) Liquidity risk

The Company is exposed to liquidity risk arising primarily from its ability to satisfy liability commitments depending on cash inflows receivable in turn from fellow subsidiary.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period to ensure that no additional financing facilities are expected to be required over the coming year.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Liquidity risk - continued

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

	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
	€	€	€	€	€
31 December 2017					
Trade and other payables	142,451	142,451	142,451	-	-
Borrowings	3,612,603	3,700,000	-	-	3,700,000
Total	**3,755,054**	**3,842,451**	**142,451**	-	**3,700,000**

2.2 Capital risk management

The Company's bonds are guaranteed by Impresa Limited (parent company). Related finance costs are guaranteed by a fellow subsidiary. The capital management of the company therefore consists of a process of regularly monitoring the financial position of the guarantor (Note 2.1).

The Company's objectives when managing capital are:

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

2.3 Fair values of financial instruments

At 31 December 2017 and 2016 the carrying amounts of receivables and payables are assumed to approximate their fair values.

3. Critical accounting estimates and judgments

Estimates and judgments 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 judgments 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.

4. Trade and other receivables

	2017
	€
Current	
Amounts owed by fellow subsidiary	371,052
Non-current	2,972,526
Current	376,852
	3,349,378

Amount owed by fellow subsidiary is unsecured but guaranteed by the parent company and bears interest at 6.1% per annum.

The company's exposure to credit and liquidity risk related to trade and other receivable is disclosed in Note 2.

5. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents comprise the following:

	2017
	€
Cash at bank and in hand	453,664

6. Share capital

	2017
	€
Authorised, issued and fully paid	
47,000 ordinary shares of €1 each	47,000

7. Borrowings

	2017
	€
Non-current	
3,700,000 5.5% bond 2024 - 2027	3,612,603

7. Borrowings - continued

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds.

	2017 €
Face value	
3,700,000 5.5% bonds 2024 - 2027	3,700,000
Issue costs	93,640
Accumulated amortisation	(6,243)
Closing net book amount	87,397
Amortised cost at 31 December	3,612,603

The interest rate exposure of the borrowings of the company was as follows:

	2017 €
Total borrowings:	
At fixed rates	3,612,603

8. Trade and other payables

	2017 €
Current	
Capital and other payables	12
Interest payable	136,039
Accruals and deferred income	6,400
	142,451

The company's exposure to liquidity risk related to trade and other payables is disclosed in Note 2.

9. Finance income

	2017 €
Interest income	146,801
Administration and management fees	16,800
	163,601

10. Finance cost

	2017
	€
Interest payable to bondholders	136,039

11. Expenses by nature

	2017
	€
Administration and other charges	5,505
Professional fees	14,826
Total administrative expenses	20,331

Auditor's fees

Fees charged by the auditor for services rendered during the financial period ended 31 December 2017 relate to the following:

	2017
	€
Annual statutory audit	5,500
Tax advisory and compliance services	550
	6,050

12. Earnings per share

Earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2017
	€
Net profit attributable to equity holders of the Company	€988
Weighted average number of ordinary shares in issue (Note 6)	47,000
Earnings per share (cents)	0.02

13. Cash used in operations

	2017
	€
Profit before tax	988
Adjustment for:	
Amortisation of bond issue costs	6,243
Changes in working capital:	
Trade and other receivables	(3,349,378)
Trade and other payables	142,451
Cash used in operations	(3,199,696)

14. Related party transactions

The companies forming part of the Impresa Limited group are considered by the directors to be related parties as these companies are ultimately owned by the Borg family.

The following transactions were also carried out with related parties:

	2017
	€
Revenue – fellow subsidiaries	
Interest income on loans	146,801
Expenses – fellow subsidiaries	
Interest expense on loans	136,039
Revenue – fellow subsidiaries	
Administration and management fees	16,800

Year end balances owed by related parties are disclosed in Note 4 to these financial statements.

15. Statutory information

IG Finance plc is a public limited liability company and is incorporated in Malta.

The parent company of IG Finance plc is Impresa Limited, a company registered in Malta, with its registered address at B018, Bulebel Industrial Estate, Zejtun.