

**BOE Finance Limited**

**Annual Report and Consolidated Financial Statements**

**for the year ended**

**31 December 2016**

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# **BOE Finance Limited**

## **Directors' Report for the year ended 31 December 2016**

The Board of Directors is hereby presenting its annual report together with the audited financial statements of the Group and the Company for the year ended 31 December 2016.

### **Principal Activity**

The principal activity of the Company is lending or advancing money, with or without security, as may be required in connection with the Company's business.

Its subsidiary is principally engaged in the sale, maintenance and installation of computer software, hardware and related ancillary products through the operation of its retail outlet in Birkirkara and Zejtun.

### **Review of business and results**

The results for the year of the Group and of the Company are as set out in the statement of comprehensive income on page 7.

The Company registered a profit before tax of €7,219 during the year ended 31 December 2016.

The Group incurred a loss before tax of €87,685 during the year ended 31 December 2016.

Notwithstanding the negative net assets position attained by the Group at the end of the current financial year, the directors consider the Group's state of affairs as at the close of the financial year to be satisfactory, in view of better performance expected in the near future.

### **Future developments**

The directors expect to increase the Group's and Company's present level of activity and to register positive results in the future.

### **Dividend**

The Board of Directors does not propose the payment of a dividend.

### **Directors**

The directors of the Company since the beginning of the year up to the date of this report were:

Mr. Martin Vella  
Mr. Mark Vella  
Mr. Joseph Vella

# BOE Finance Limited

## Directors' Report (continued)

for the year ended 31 December 2016

### Statement of Directors' Responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the directors of BOE Finance Limited to prepare annual financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss for the year in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

In preparing such financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting year to another;
- make judgments and estimates that are reasonable and prudent; and
- account for income and charges relating to the accounting year on the accruals 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 Company and enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Companies Act, Cap. 386 of the Laws of Malta. The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

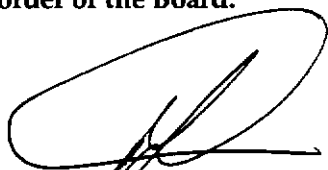
The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 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 European Union; and
- the annual report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group and the Company face.

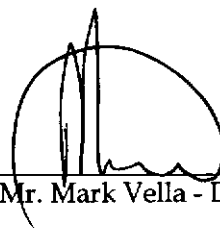
### Auditors

A resolution to re-appoint CA Falzon as auditors of the Company will be proposed at the forthcoming annual general meeting. CA Falzon have expressed their willingness to continue in office.

### By order of the Board:



Mr. Martin Vella - Director



Mr. Mark Vella - Director

### Registered Office:

Hal Mann, The Factory,  
Mosta Road,  
Lija LJA 9016

1 June 2017

**Independent Auditors' Report  
to the shareholders of BOE Finance Limited**



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***Report on the Financial Statements for the year ended 31 December 2016***

We have audited the individual financial statements of BOE Finance Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary (together, "the Group"), set out on pages 7 to 33, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

***Opinion***

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

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

***Other Information***

The directors are responsible for the other information. The other information comprises of the Directors' Report. Except for our opinion on the Directors' Report in accordance with the Companies Act, Cap. 386 of the Laws of Malta, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

## Independent Auditors' Report to the shareholders of BOE Finance Limited



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

- the information given in the Directors' Report for the period ended 31 December 2016 is consistent with the financial statements ; and
- the Directors' Report has been prepared in accordance with the Companies Act, Cap.386 of the Laws of Malta.

In addition, in light of the knowledge and understanding of the Group 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.

Based on the work we have performed, we have nothing to report in this regard.

### *Responsibilities of the Directors*

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal controls 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 Group or to cease operations, or have no realistic alternative to do so.

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

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.

## Independent Auditors' Report to the shareholders of BOE Finance Limited

**falzon**  
CERTIFIED PUBLIC ACCOUNTANTS  
Since 1967

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

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

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

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.

**Independent Auditors' Report  
to the shareholders of BOE Finance Limited**



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***Report on other legal and regulatory requirements***

***Adequacy of explanations received and accounting records***

Under the Companies Act, Cap. 386 of the Laws of Malta, we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- proper books of account have been kept by the Group so far as appears from our examination thereof;
- the financial statements are not in agreement with the books of account;
- if 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.

This copy of the audit report has been signed by:



Alfred Falzon (Partner)  
for and on behalf of  
CA Falzon  
Certified Public Accountants

1 June 2017

# BOE Finance Limited

## Statement of Comprehensive Income for the year ended 31 December 2016

		The Group	The Company
		Current	Current
	Note	€	€
<b>Revenue</b>	6	3,363,577	46,157
<b>Cost of sales</b>	7	(2,556,373)	-
<b>Gross profit</b>		807,204	46,157
 Distribution and selling costs	7	(92,752)	-
Administrative expenses	7	(761,910)	(21,096)
Other operating income		26,141	-
<b>Operating (loss)/profit</b>		(21,317)	25,061
 Finance and similar income		377	-
Finance costs	7	(66,745)	(17,842)
<b>(Loss)/profit before tax</b>		(87,685)	7,219
 Income tax expense	9	(15,501)	(8,280)
<b>Loss for the year</b>		(103,186)	(1,061)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		(103,186)	(1,061)
 Attributable to:			
Equity holders of the parent		(77,655)	
Non-controlling interests		(25,531)	
		(103,186)	
 <b>Earnings per share (cents)</b>			
Basic, loss for the year attributable to ordinary equity holders of the parent	18	(0.78)	

The notes on pages 12 to 33 form part of these financial statements.



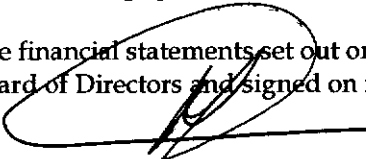
# BOE Finance Limited

## Statement of Financial Position as at 31 December 2016

	Note	The Group Current €	The Company Current €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	233,636	-
Intangible assets	11	18,986	-
Goodwill	11	417,951	-
Investment in subsidiary	12	-	500,000
Trade and other receivables	13	546,447	546,447
<b>Total non-current assets</b>		<b>1,217,020</b>	<b>1,046,447</b>
<b>Current assets</b>			
Inventories		357,972	-
Trade and other receivables	13	462,516	260,794
Cash and cash equivalents	19	418,063	-
<b>Total current assets</b>		<b>1,238,551</b>	<b>260,794</b>
<b>Total assets</b>		<b>2,455,571</b>	<b>1,307,241</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	17	100,000	100,000
Accumulated losses		(121,555)	(44,961)
Shareholders' loans	17	1,179,594	1,135,163
<b>Equity attributable to equity holders of the parent</b>		<b>1,158,039</b>	<b>1,190,202</b>
Non-controlling interest		1,819	-
<b>Total equity</b>		<b>1,159,858</b>	<b>1,190,202</b>
<b>Non-current liabilities</b>			
Borrowings	14	180,686	34,639
<b>Current liabilities</b>			
Borrowings	14	558,858	69,174
Trade and other payables	15	548,279	4,946
Current taxation due	9	7,890	8,280
<b>Total current liabilities</b>		<b>1,115,027</b>	<b>82,400</b>
<b>Total liabilities</b>		<b>1,295,713</b>	<b>117,039</b>
<b>Total equity and liabilities</b>		<b>2,455,571</b>	<b>1,307,241</b>

The notes on page 12-33 form part of these financial statements.

The financial statements set out on pages 7 to 33 were approved and authorized for issue by the Board of Directors and signed on its behalf by:

  
Mr. Martin Vella - Director

  
Mr. Mark Vella - Director

1 June 2017

# BOE Finance Limited

## Statement of Changes in Equity for the year ended 31 December 2016

	The Group					
	Issued share capital €	Retained earnings €	Shareholders' loans €	Equity attributable to equity holders of the parent €	Non-controlling interest €	Total Equity €
Balance as at 1 January 2016						
Opening balance	100,000	(43,900)	-	56,100	27,350	83,450
Profit for the year	-	(77,655)	-	(77,655)	(25,531)	(103,186)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	(77,655)	-	(77,655)	(25,531)	(103,186)
Advances from shareholders	-	-	1,179,594	1,179,594	-	1,179,594
Balance as at 31 December 2016	100,000	(121,555)	1,179,594	1,158,039	1,819	1,159,858

The notes on pages 12 to 33 form part of these financial statements.

# BOE Finance Limited

## Statement of Changes in Equity (continued) for the year ended 31 December 2016

	The Company			
	Issued capital	Shareholders' loans	Accumulated losses	Total equity
<b>Balance as at 1 January 2016</b>				
Opening balance	1,600	-	(43,900)	(42,300)
Loss for the year	-	-	(1,061)	(1,061)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	(1,061)	(1,061)
<b>Advances from shareholders</b>	-	1,135,163	-	1,135,163
<b>Transactions with owners, recorded directly in equity</b>				
Issue of share capital	98,400	-	-	98,400
<b>Balance as at 31 December 2016</b>	<u>100,000</u>	<u>1,135,163</u>	<u>(44,961)</u>	<u>1,190,202</u>

The notes on pages 12 to 33 form part of these financial statements.

# BOE Finance Limited

## Statement of Cash Flows for the year ended 31 December 2016

		The Group	The Company
	Note	Current €	Current €
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(87,685)	7,219
Adjustments for:			
Depreciation of property, plant and equipment		40,082	-
Amortisation of intangible assets		18,987	-
Impairment of receivables		16,439	16,439
Finance income		(377)	-
Finance costs		66,745	17,842
Working capital changes:			
Increase in inventories		(48,639)	-
Increase in receivables		(274,536)	(260,627)
Increase in payables		67,848	4,007
Repayment to related companies		(216,526)	-
Interest paid on overdraft		(30,863)	(8,403)
Other interest paid		(18,870)	(9,439)
Taxation paid		(39)	-
Taxation refunded		4,067	-
<b>Net cash used in operating activities</b>		<b>(463,367)</b>	<b>(232,962)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire property, plant and equipment		(892)	-
Payment to acquire investment in subsidiary		-	(500,000)
Advances to other parties		(562,886)	(562,886)
Finance income		259	-
<b>Net cash used in investing activities</b>		<b>(563,519)</b>	<b>(1,062,886)</b>
<b>Cash flows from financing activities</b>			
Repayment to banks loans		(55,853)	-
Issue of share capital		98,400	98,400
Interest paid on loans		(17,012)	-
Advances from shareholders		1,199,920	1,125,861
<b>Net cash from financing activities</b>		<b>1,225,455</b>	<b>1,224,261</b>
<b>Net movement in cash and cash equivalents</b>		<b>198,569</b>	<b>(71,587)</b>
Cash and cash equivalents at beginning of year		(280,750)	2,413
<b>Cash and cash equivalents at end of year</b>	19	<b>(82,181)</b>	<b>(69,174)</b>

The notes on pages 12 to 33 form part of these financial statements.

# **BOE Finance Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **1. Corporate information**

The consolidated financial statements of BOE Finance Limited and its subsidiary ("the Group") for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 1 June 2017.

BOE Finance Limited ("the Company") is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The Company's registration number is C 52833.

### **2. Principal accounting policies**

#### **2.1 Basis of preparation and consolidation**

These financial statements are prepared under the historical cost convention and are in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta. The consolidated financial statements are presented in Euro (€), which is the functional currency of the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2016. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

#### **2.2 Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 2. Principal accounting policies (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation charge is provided from the month of acquisition and no depreciation is charged during the month in which the asset is disposed of or scrapped. Depreciation is calculated using the reducing balance method to allocate the cost of assets to their residual values over their estimated useful lives, as follows:

Improvements	5%
Improvements - Zejtun	10%
Lift equipment	10%
Air conditioners	16.67%
Air conditioners - Zejtun	16.67%
Motor vehicles	20%
Computer equipment	25%
Computer software	25%
Furniture and fittings - Zejtun	10%
Office equipment	25%
Furniture and fittings	10%

Depreciation methods, useful life and residual values are reassessed at the reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

#### 2.4 Intangible assets

The Group's intangible fixed asset comprises website development cost which is being amortised on a straight line basis over a period of 4 years, which period is estimated to reflect its useful economic life.

Goodwill arising from business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the

# **BOE Finance Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **2. Principal accounting policies (continued)**

procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### **2.5 Investment in subsidiary**

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment in subsidiary is stated at cost less any impairment loss which may have arisen. Income from the investment is recognised only to the extent of distributions received by the Company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

#### **2.6 Inventories**

Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average cost method. The cost of finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### **2.7 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

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 income statement within 'Distribution costs'.

# **BOE Finance Limited**

## **Notes to the financial statements**

**for the year ended 31 December 2016**

### **2. Principal accounting policies (continued)**

#### **2.8 Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### **2.9 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.

#### **2.10 Dividend distribution**

Dividend distribution to the Group's shareholder is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholder.

#### **2.11 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the 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 rate method.

#### **2.12 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. Amounts payable are classified as current liabilities if payment is due within one year or less. 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.

#### **2.13 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

#### **2.14 Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is also dealt with in other comprehensive income or in equity, as appropriate.



# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 2. Principal accounting policies (continued)

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting period. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred tax liabilities are recognised for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

#### *Value Added Tax*

Revenue, expenses and assets are recognised net of Value Added Tax, except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case Value Added Tax is recognised as part of the acquisition of the asset or as part of the expense item, as applicable;
- where receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

# **BOE Finance Limited**

## **Notes to the financial statements**

for the year ended 31 December 2016

### **2. Principal accounting policies (continued)**

#### **2.15 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of Value Added Tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably.

The following recognition criteria must also be met before revenue is recognised:

##### *Sale of goods*

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership which generally coincides with the date of the invoice.

##### *Rendering of services*

Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

##### *Investment income*

Investment income is accounted for when it is probable that the economic benefits associated with the transaction will flow to the Group and these can be measured reliably.

##### *Dividend income*

Dividend income is recognised on the date the Group's right to receive income is established.

#### **2.16 Borrowing costs**

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property, are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **2.17 Foreign currencies**

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange prevailing at the reporting date. Translation differences are dealt with through the statement of comprehensive income.

# **BOE Finance Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **3. Significant accounting judgements, estimates and assumptions**

In preparing the financial statements, the Directors are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

In the opinion of the management, the accounting estimates, assumptions 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 significant in terms of the requirements of IAS 1 (revised)-'Presentation of Financial Statements'.

### **4. Changes in accounting policies and disclosures**

#### **4.1 New and amended standards and interpretations**

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below:

#### ***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

#### ***Amendments to IAS 27: Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 4. Changes in Accounting Policies and Disclosures (continued)

#### *Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

#### *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

#### **4.2 Standards issued but not yet effective**

The 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 standards, if applicable, when they become effective.

# **BOE Finance Limited**

## **Notes to the financial statements for the year ended 31 December 2016**

### **4. Changes in Accounting Policies and Disclosures (continued)**

#### ***IFRS 9 Financial Instruments***

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Subject to endorsement by the EU, IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group expects no significant impact on its financial statements.

#### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Subject to endorsement by the EU, either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in April 2016 and will monitor any further developments.

#### ***IAS 7 Disclosure Initiatives - Amendments to IAS 7***

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Subject to endorsement by the EU, these amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

#### ***IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include recovery of some assets for more than their carrying amount.

# BOE Finance Limited

## Notes to the financial statements

for the year ended 31 December 2016

### 4. Changes in Accounting Policies and Disclosures (continued)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other component of equity. Entities applying this relief must disclose the fact. Subject to endorsement by the EU, these amendments are effective for annual period beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact to the Group.

### 5. Segment information

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

Year ended 31 December 2016	Lending and financing €	Retail €	Total segments €	Adjustments and eliminations €	Consolidated €
<b>Revenue</b>					
External customers	46,157	3,317,420	3,363,577	-	3,363,577
<b>Total revenue</b>	<b>46,157</b>	<b>3,317,420</b>	<b>3,363,577</b>	<b>-</b>	<b>3,363,577</b>
<b>Income/(expenses)</b>					
Depreciation and amortisation	-	59,069	59,069	-	59,069
<b>Segment profit/(loss)</b>	<b>7,219</b>	<b>(94,904)</b>	<b>(87,685)</b>	<b>-</b>	<b>(87,685)</b>
<b>Total assets</b>	<b>1,307,241</b>	<b>1,230,769</b>	<b>2,538,010</b>	<b>(82,439)</b>	<b>2,455,571</b>
<b>Total liabilities</b>	<b>1,252,202</b>	<b>1,223,495</b>	<b>2,475,697</b>	<b>(390)</b>	<b>2,475,307</b>

### 6. Revenue

	<u>The Group</u>	<u>The Company</u>
	<b>Current</b>	<b>Current</b>
	€	€
Sales of good	3,317,420	-
Interest income	12,994	12,994
Management fees	33,163	33,163
	<u>3,363,577</u>	<u>46,157</u>

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 7. Expenses by nature

#### 7.1 Cost of sales and operating expenses

	<u>The Group</u>	<u>The Company</u>
	Current	Current
	€	€
Depreciation	40,082	-
Amortisation of intangible assets	18,987	-
Auditors' remuneration	3,300	1,100
Directors' salaries (note 8)	41,135	-
Wages, salaries and social security contribution (note 8)	414,134	-
Other expenses	2,893,397	19,996
	<u>3,411,035</u>	<u>21,096</u>

#### *Auditor's fees*

Fees charged by the auditor for services rendered during the financial year ended 31 December 2016 relate to the following:

	<u>The Group</u>	<u>The Company</u>
	Current	Current
	€	€
Annual statutory audit	<u>3,300</u>	<u>1,100</u>

#### 7.2 Finance costs

	<u>The Group</u>	<u>The Company</u>
	Current	Current
	€	€
Bank overdraft interest	22,465	5
Bank loan interest	17,012	-
Other interest	27,268	17,837
	<u>66,745</u>	<u>17,842</u>

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 8. Payroll costs and personnel information

Payroll costs for the financial year ended 31 December 2016 comprised the following:

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
Wages and salaries (including directors' remuneration)	434,558	-
Social security contributions	20,711	-
	<u>455,269</u>	<u>-</u>

The average number of persons (including the directors) employed by the Group and the Company during the year was as follows:

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
Operational	20	-
Administration	5	-
	<u>2</u>	<u>-</u>

### 9. Taxation

#### 9.1 Tax expense on (loss)/profit on ordinary activities

Provision for income tax has been made at the rate of 35% on the chargeable income for the year except for investment income which is charged at the rate of 15%.

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
<i>Income tax expense:</i>		
Current tax charge	(8,280)	(8,280)
Final withholding tax at 15%	(39)	-
<b>Total current tax expense</b>	<b>(8,319)</b>	<b>(8,280)</b>
<b>Deferred taxation (note 16):</b>		
Credit for the year	(7,182)	-
<b>Income tax expense for the year</b>	<b>(15,501)</b>	<b>(8,280)</b>



# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 9. Taxation (continued)

#### 9.2 Tax reconciliation

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
(Loss)/profit before tax	(87,685)	7,219
Taxation (credit)/charge thereon	(30,690)	2,527
<i>Tax effect of:</i>		
- excess of carrying amount of property, plant and equipment over tax base	19,446	-
- expenses non allowed for tax purposes	14,164	5,753
- income taxed at different rates	(93)	-
- unabsorbed tax losses	12,674	-
Income tax expense for the year	<u>15,501</u>	<u>8,280</u>

#### 9.3 Current taxation

Taxation due is made up as follows:

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
As at 1 January	(4,457)	-
Current tax charge	8,319	8,280
Tax refund	4,067	-
	<u>7,929</u>	<u>8,280</u>
<i>Payments:</i>		
Final withholding tax	(39)	-
As at 31 December	<u>7,890</u>	<u>8,280</u>

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 10. Property, plant and equipment

The Group												
	Improvements	Improvements - Zejtun	Lift equipment	Air conditioners	Air conditioners - Zejtun	Motor vehicles	Computer equipment	Computer software	Furniture and fittings - Zejtun	Furniture and fittings	Office equipment	Total
	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>												
As at 1 January 2016	89,142	135,718	7,433	4,136	8,548	21,535	48,138	24,776	40,434	127,071	17,122	524,053
Additions	-	-	-	-	-	-	-	-	-	892	-	892
As at 31 December 2016	89,142	135,718	7,433	4,136	8,548	21,535	48,138	24,776	40,434	127,963	17,122	524,945
<b>Depreciation</b>												
As at 1 January 2016	31,842	27,049	2,230	2,682	2,850	16,382	39,218	23,815	8,053	81,435	15,671	251,227
Charge for the year	4,457	13,572	743	689	1,425	2,577	3,080	624	4,043	8,389	483	40,082
As at 31 December 2016	36,299	40,621	2,973	3,371	4,275	18,959	42,298	24,439	12,096	89,824	16,154	291,309
<b>Net book amount</b>												
As at 1 January 2016	57,300	108,669	5,203	1,454	5,698	5,153	8,920	961	32,381	45,636	1,451	272,826
As at 31 December 2016	52,843	95,097	4,460	765	4,273	2,576	5,840	337	28,338	38,139	968	233,636

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 11. Intangible assets

#### 11.1 Website development cost

	Current €
<b>Cost</b>	
As at 1 January and 31 December 2016	<u>75,946</u>
<b>Amortisation</b>	
As at 1 January 2016	37,973
Charge for the year	<u>18,987</u>
As at 31 December 2016	<u>56,960</u>
<b>Net book amount</b>	
As at 1 January 2016	<u>37,973</u>
As at 31 December 2016	<u>18,986</u>

Website development cost is being written off in equal annual instalments over its estimated economic life of 4 years.

#### 11.2 Goodwill

	Current €
<b>Cost</b>	
As at 1 January and 31 December 2016	<u>417,951</u>

### 12. Investment in subsidiary

#### The Company

	Current €
<b>Cost</b>	
As at 1 January	-
Additions	<u>500,000</u>
As at 31 December	<u>500,000</u>

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held
Klikk Limited	108,243 shares of Ordinary A at €2.29/share (par value: €2.50/share), fully paid up	75%
Design House, Dun Karm Street, Birkirkara By-Pass, Birkirka BKR 04	110,157 shares of Ordinary B at €2.29/share (par value: €2.50/share), fully paid up	75%
The company is set up to act as importer, exporter, wholesaler, retailer, purchaser, seller, dealer, distributor, agent and supplier of computer equipment, peripherals, software and other related products.		

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 13. Trade and other receivables

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
<b>Non-current</b>		
Trade receivables	546,447	546,447
<b>Current</b>		
Trade receivables	430,154	259,059
Amount received in advance	12,604	-
Amount owed by related companies	10,957	-
Accrued income and prepayments	8,801	1,735
<b>Total current trade and other receivables</b>	<u>462,516</u>	<u>260,794</u>
<b>Total trade and other receivables</b>	<u>1,008,963</u>	<u>807,241</u>

The trade receivables of the Company bear interest at 8% and are generally on terms of 6 to 60 months. As at year end, there are no past due accounts.

The trade receivables of the subsidiary are non-interest bearing and are generally on terms of 30 to 90 days.

Amount owed by related companies are interest free, unsecured and payable on demand. These amounts resulted from trading activities.

As at 31 December 2016, the aging analysis of trade receivables is, as follows:

	<b>Total</b>	<b>&lt;12 months</b>	<b>13 to 36 months</b>	<b>Past due but not impaired</b>
	€	€	€	€
2016	976,601	430,154	371,980	174,467

Refer to note 20 on credit risk of trade receivables, which explains how the Group manages and measures the credit quality of trade receivables.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 13. Trade and other receivables (continued)

#### The Group and the Company

As at 31 December 2016, trade receivables at nominal value of €16,439 were impaired and fully provided for. Movement in the provision for impairment of trade receivables were as follows:

	Impairment on trade receivables
As at 1 January 2016	-
Impairment loss	16,439
As at 31 December 2016	16,439

### 14. Borrowings

	The Group	The Company
	Current	Current
	€	€
<b>Non-current</b>		
Bank loans	146,047	-
Amount due to related company	34,639	34,639
<b>Total non-current borrowings</b>	180,686	34,639
<b>Current</b>		
Bank overdrafts (note 19)	500,244	69,174
Bank loans	58,614	-
<b>Total current borrowings</b>	558,858	69,174
<b>Total borrowings</b>	739,544	103,813

The amount owed to related companies are interest free, unsecured and have no fixed repayment date.

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 20.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 15. Trade and other payables

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
<b>Current</b>		
Amount received in advance	6,240	-
Trade payables	274,434	-
Indirect taxes and social security contributions	234,498	3,521
Other payables	3,662	-
Accrual and prepaid income	29,445	1,425
<b>Total borrowings</b>	<u>548,279</u>	<u>4,946</u>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 20.

### 16. Deferred taxation

<b>The Group</b>	<b>Current</b>
	€
As at 1 January	7,182
Credit in the statement of comprehensive income (note 9)	<u>(7,182)</u>
As at 31 December	<u>-</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 35% (2015: 35%).

The balance of deferred taxation as at 31 December 2016 is nil.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 17. Equity

#### 17.1 Issued capital

##### The Company

	Current €
<b>Authorised:</b>	
100,000 Ordinary shares of €1 each	100,000
	Current €
<b>Issued and fully called-up:</b>	
100,000 Ordinary shares of €1 each	100,000

#### 17.2 Shareholders' loans

	<u>The Group</u> Current €	<u>The Company</u> Current €
Shareholders' loans	1,179,594	1,135,163

The shareholders' loans amounting to €521,263 bears interest at 5.3% and €44,431 bears interest at 6% are unsecured and have no fixed repayment date. The rest of the shareholders' loans are unsecured, interest free and have no fixed repayment date. In December 2016 the terms of the shareholders' agreement were amended to reflect that all shareholders' loans are unsecured, interest free and repayable at the discretion of the borrower. As a result the loans were reclassified from debt to equity.

### 18. Earnings per share

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

	<u>The Group</u> Current €
Loss attributable to ordinary equity holders of the parent for basic earnings	(77,655)
Weighted average number of ordinary shares in issue (note 17)	100,000

#### Earnings per share (cents)

Basic, loss for the year attributable to ordinary equity holders of the parent (0.78)

There is no difference between the basic and diluted earnings per share as the Group has no potential dilutive ordinary shares.

# BOE Finance Limited

## Notes to the financial statements for the year ended 31 December 2016

### 19. Cash and cash equivalents

	<u>The Group</u>	<u>The Company</u>
	<u>Current</u>	<u>Current</u>
	€	€
Cash at bank and in hand	418,063	-
Overdrawn bank current accounts (note 14)	(500,244)	(69,174)
As at 31 December	(82,181)	(69,174)

### 20. Financial risk management objectives and policies

The Group's principal financial assets comprise trade and other receivables and cash and cash equivalents. Its principal financial liabilities comprise trade and other payables and borrowings.

The Group is exposed to market risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk.

Financial instruments affected by market risk include borrowings. The Group is only exposed to interest rate risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Except as disclosed in note 14, the Group's borrowings are non-interest bearing. Borrowings issued at fixed rates, consist primarily of bank loans which are carried at amortised cost, and therefore do not expose the Group to cashflow and fair value interest rate risk.

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks.



# BOE Finance Limited

## Notes to the financial statements

for the year ended 31 December 2016

### 20. Financial risk management objectives and policies (continued)

The Group exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

The Group banks only with local financial institutions with high quality standard or rating. The Group's operations are principally carried out in Malta and most of the Group's revenue originates from clients based in Malta.

#### *Liquidity risk*

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

#### Year ended 31 December 2016

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
	€	€	€	€
Interest bearing loans and borrowings	600,285	165,518	-	765,803
Non-interest bearing loans and borrowings	-	-	34,639	34,639
Trade and other payables	542,039	-	-	542,039
	<u>1,142,324</u>	<u>165,518</u>	<u>34,639</u>	<u>1,342,481</u>

#### *Fair value risk*

As at 31 December 2016, the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables and non-current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of non-current borrowings are not materially different from their carrying amounts in the statement of financial position.

# **BOE Finance Limited**

## **Notes to the financial statements**

**for the year ended 31 December 2016**

### **20. Financial risk management objectives and policies (continued)**

#### *Capital management*

Capital includes the equity attributable to the shareholders of the Group.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016.

### **21. Commitments and contingencies**

#### **Guarantees**

As at the reporting date, the Group had given guarantees to third parties in the normal course of business amounting to €22,375.

### **22. Related party disclosures**

The Company did not enter into any material transactions with related parties.

### **22. Events after the reporting period**

As at reporting date the Group there is no significant transactions that occurred that needs to be disclosed as at 31 December 2016.