

VICTORIA HOLDING LIMITED

Annual Financial Statements  
31 December 2014

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## **Directors' report**

The directors present their report and the audited individual financial statements for the year ended 31 December 2014.

### **Principal activity**

The company's principal activity, which is unchanged since last year, is that of a holding company.

### **Review of the business**

During the year, the company generated a loss of €13,566,699 (2013: €24,746,603). As at 31 December 2014, the company's liabilities exceeded its assets by €44,545,363 (2013: €30,978,664) and as a result, the company's shareholders have undertaken to provide the necessary financial support and guarantees to enable the company to meet its liabilities as and when they fall due and to fund any future losses. The directors expect that the present level of activity will be improved in the foreseeable future.

### **Results and dividends**

The statement of comprehensive income is set out on page 6. The directors do not recommend the payment of a dividend.

### **Directors**

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

Mario Filipe Moreira Leite da Silva  
Noel Buttigieg Scicluna

The company's Articles of Association do not require any directors to retire.

### **Statement of directors' responsibilities for the financial statements**

Article 19(4)(a) of the Income Tax Management Act, 1994 requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the 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 the company's accounting policies set out in Note 1.1 of these financial statements;
- 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 company will continue in business as a going concern.

**Directors' report** - continued

**Statement of directors' responsibilities for the financial statements** - continued

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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.



Mario Filipe Moreira Leite da Silva  
Director



Noel Buttigieg Scicluna  
Director

Registered office  
Aragon House Business Centre  
Dragonara Road  
St. Julians STJ 3140  
Malta

18 May 2016



## **Independent auditor's report**

To the Directors of Victoria Holding Limited

### **Report on the Financial Statements for the year ended 31 December 2014**

We have audited the financial statements of Victoria Holding Limited on pages 5 to 24 which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on pages 1 and 2, the directors are responsible for the preparation of financial statements in accordance with the accounting policies as set out in Note 1.1 to these financial statements 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

- In our opinion the financial statements have been prepared in all material respects in accordance with the accounting policies set out on pages 9 to 24.



**Independent auditor's report - continued**

To the Directors of Victoria Holding Limited

*Basis of Accounting and Restriction on Distribution*

We draw attention to Note 1.1 to these financial statements, which describes the basis of preparation. The financial statements are intended solely for filing with the Maltese tax authorities and accordingly, may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**PricewaterhouseCoopers**

78 Mill Street  
Qormi  
Malta

A large, stylized handwritten signature in blue ink, appearing to read 'Joseph Camilleri'.

Joseph Camilleri  
Partner

18 May 2016

## Statement of financial position

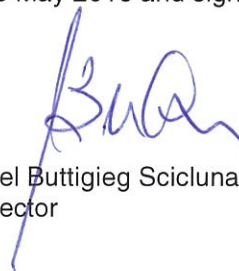
	Notes	As at 31 December	
		2014 €	2013 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	4	1,369	1,369
Loans and other receivables	5	40,305,997	34,051,564
Total non-current assets		40,307,366	34,052,933
<b>Current assets</b>			
Loans and other receivables	5	3,159,957	2,105,033
Cash and cash equivalents	6	461,240	4,354,067
Total current assets		3,621,197	6,459,100
<b>Total assets</b>		<b>43,928,563</b>	40,512,033
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	3,000	3,000
Accumulated losses		(44,548,363)	(30,981,664)
<b>Total equity</b>		<b>(44,545,363)</b>	(30,978,664)
<b>Non-current liabilities</b>			
Borrowings	8	83,072,660	66,484,957
<b>Current liabilities</b>			
Borrowings	8	3,294,622	2,900,431
Payables	9	2,106,644	2,105,309
Total current liabilities		5,401,266	5,005,740
<b>Total liabilities</b>		<b>88,473,926</b>	71,490,697
<b>Total equity and liabilities</b>		<b>43,928,563</b>	40,512,033

The notes on pages 9 to 24 are an integral part of these financial statements.

The financial statements on pages 5 to 24 were authorised for issue on 18 May 2016 and signed by



Mario Filipe Moreira Leite da Silva  
Director



Noel Buttigieg Scicluna  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December	
		2014 €	2013 €
Impairment on loans and receivables	5	-	(26,164,542)
Administrative expenses	10	(44,869)	(75,630)
Other (losses)/gains	11	(8,610,629)	2,124,174
<b>Operating loss</b>	10	<b>(8,655,498)</b>	<b>(24,115,998)</b>
Finance income	12	2,111,124	5,064,862
Finance costs	13	(7,022,325)	(5,691,984)
<b>Loss before tax</b>		<b>(13,566,699)</b>	<b>(24,743,120)</b>
Tax expense	14	-	(3,483)
<b>Loss for the year - total comprehensive income</b>		<b>(13,566,699)</b>	<b>(24,746,603)</b>

The notes on pages 9 to 24 are an integral part of these financial statements.



### Statement of changes in equity

	Share capital €	Accumulated losses €	Total €
Balance at 1 January 2013	3,000	(6,235,061)	(6,232,061)
<b>Comprehensive income</b>			
Loss for the year - total comprehensive income	-	(24,746,603)	(24,746,603)
Balance at 31 December 2013	3,000	(30,981,664)	(30,978,664)
<b>Comprehensive income</b>			
Loss for the year – total comprehensive income	-	(13,566,699)	(13,566,699)
<b>Balance at 31 December 2014</b>	<b>3,000</b>	<b>(44,548,363)</b>	<b>(44,545,363)</b>

The notes on pages 9 to 24 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2014 €	2013 €
<b>Cash flows from operating activities</b>			
Cash used in operations	16	(987,631)	(447,958)
Interest received	12	2,083,025	1,774,531
Income tax paid	14	-	(3,483)
Net cash generated from operating activities		<b>1,095,394</b>	<b>1,323,090</b>
<b>Cash flows from investing activities</b>			
Loans advanced to subsidiaries	5	(5,031,738)	(18,174,809)
Proceeds from repayment of loans to subsidiary		-	2,439,619
Net cash used in investing activities		<b>(5,031,738)</b>	<b>(15,735,190)</b>
<b>Cash flows from financing activities</b>			
Loans received from shareholders	8	-	18,617,990
Net cash generated from financing activities		-	18,617,990
<b>Net movement in cash and cash equivalents</b>		<b>(3,936,344)</b>	<b>4,205,890</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,354,067</b>	<b>284,553</b>
<b>Effect of foreign currency translation of cash &amp; cash equivalents</b>		<b>43,517</b>	<b>(136,376)</b>
<b>Cash and cash equivalents at end of the year</b>	6	<b>461,240</b>	<b>4,354,067</b>

The notes on pages 9 to 24 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 the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. These financial statements have been prepared for filing with the Maltese tax authorities in terms of Article 19 of the Income Tax Management Act, Cap 372. The financial statements have been prepared in accordance with the company's accounting policies as stated below.

During the year, the company generated a loss after tax of €13,566,699 (2013: €24,746,603) and its total liabilities exceeded its total assets by €44,545,363 (2013: €30,978,664). Taking cognisance of the company's financial position, the shareholders have undertaken to provide the necessary financial support and guarantees to enable the company to meet its liabilities as and when they fall due and to fund any future losses. Accordingly, the directors believe that the use of the going concern basis for the preparation of these financial statements is appropriate.

#### 1.2 Foreign currencies

##### *(a) Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro, which is the company's functional and presentation currency.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses that relate to receivables, borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'other (losses)/gains'.

#### 1.3 Investments in subsidiaries

Investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost also includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified.

The results of the subsidiaries are reflected in these financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

## 1. Summary of significant accounting policies - continued

### 1.4 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 annually for impairment whenever events or changed in circumstances indicate that the carrying amounts 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 1.5 Financial assets

#### 1.5.1 Classification

The company classifies its financial assets in the loss and loans and receivables category. 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. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise amounts due from subsidiary undertakings and cash and cash equivalents in the statement of financial position (Notes 1.6 and 1.7).

#### 1.5.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs. All regular way transactions in assets classified in the loans and receivables category are accounted for using the settlement date accounting i.e. on the date an asset is delivered to or by the entity.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. 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 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.

#### 1.5.3 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:

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

### **1.5.3 Impairment - continued**

- 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.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### **1.6 Other receivables**

Other receivables mainly comprise of amounts due from subsidiaries and other related parties. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.5.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

### **1.7 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 include deposits held at call with banks.

### **1.8 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

### **1.9 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 the consideration received, net of transaction costs that are directly attributable to the issue acquisition or the issue of the financial liability. These liabilities are subsequently measured at 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**

**1.10 Payables**

Payables comprise of obligations to pay for 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.

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

**1.11 Borrowings**

Borrowings are recognised initially at fair value of proceeds received. Borrowings are subsequently carried 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 method. 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.

**1.12 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**1.13 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

**1.14 Revenue recognition**

The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the company's activity as described below.

*(a) Interest income*

Interest income is recognised for all interest-bearing instruments using the effective interest method.

*(b) Dividend income*

Dividend income is recognised when the right to receive payment is established.

**2. Financial risk management**

**2.1 Financial risk factors**

The company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company's board of directors provide principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

*(a) Market risk*

*(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, which are denominated in a currency that is not the entity's functional currency. The company is exposed to foreign exchange risk arising from exposures to the Swiss franc (CHF) and US dollar (USD). The carrying amount of the assets and liabilities denominated in foreign currencies as at the end of the reporting periods were as follows:

	2014	2013
	€	€
<b>Cash and cash equivalent</b>		
USD	31,936	1,729,435
CHF	379,260	2,613,086
<b>Receivables</b>		
CHF	60,773,121	58,244,052
USD	912,983	-
<b>Borrowings</b>		
USD	86,367,282	69,385,388

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Market risk- continued*

*(i) Foreign exchange risk - continued*

At 31 December 2014, if the Euro had weakened/strengthened by 10% against the Swiss franc with all other variables held constant, pre-tax loss from the year would increase/(reduce) by €7,585,059/(€5,529,653) (2013: €9,381,368/(€2,914,163)).

At 31 December 2014, if the Euro had weakened/strengthened by 10% against the US Dollar, with all other variables held constant, pre-tax loss for the year would (increase)/reduce by (€8,462,673)/€8,779,137 (2013: (€5,787,892)/€7,879,976).

*(ii) Cash flow and fair value interest rate risk*

The company's interest rate risk principally arises from long-term borrowings from shareholders which expose the company to fair value interest rate risk. The Board monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained.

*(b) Credit risk*

Credit risk arises from cash and cash equivalents and credit exposures, including outstanding receivables. The company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2014	2013
	€	€
Loans and receivables (Note 5)	<b>43,465,954</b>	36,156,597
Cash and cash equivalents (Note 6)	<b>461,240</b>	4,354,067
	<b>43,927,194</b>	40,510,664

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold any collateral as security in this respect.

The Company's receivables include significant amounts due from subsidiaries. The Board of Directors monitor intra-group credit and related party exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The Board assesses the credit quality of these related parties taking into account financial position, performance and other factors and management does not expect any losses from non-performance or default.

As at 31 December 2013, the Company had amounts receivable from subsidiaries amounting to €26,164,542 which were impaired.

The company banks only with financial institutions with high quality standing or rating.



## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(c) Liquidity risk*

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings (Note 8) and payables (Note 9). 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 company's obligations.

Liquidity risk mainly arises from amounts due to shareholders. In this respect, the company's shareholders have undertaken not to demand repayment of the amounts due to them unless sufficient funds are available and to support the company to meet its obligations as and when they fall due.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table compare the carrying amounts of financial liabilities in the financial statements to the contractual undiscounted cash flows:

	Carrying amount €	Contractual cash flows €	Due within one year €	Due between two and five years €	Due after five years €
<b>31 December 2014</b>					
Borrowings (Note 8)	86,367,282	116,645,166	19,235,418	81,504,225	15,905,523
Payables (Note 9)	2,106,644	2,106,644	2,106,644	-	-
<b>Total</b>	<b>88,473,926</b>	<b>118,751,810</b>	<b>2,1342,062</b>	<b>81,504,225</b>	<b>15,905,523</b>
<b>31 December 2013</b>					
Borrowings (Note 8)	69,385,388	102,688,663	2,900,431	73,447,354	26,340,878
Payables (Note 9)	2,105,309	2,105,309	2,105,309	-	-
<b>Total</b>	<b>71,490,697</b>	<b>104,793,972</b>	<b>5,005,740</b>	<b>73,447,354</b>	<b>26,340,878</b>

### 2.2 Capital risk management

Capital is managed at company level by reference to the level of company's equity and borrowings or debt as disclosed in these financial statements. 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, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

## 2. Financial risk management - continued

### 2.3 Fair values of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in the an active market and for which no observable market data is available, rely fully on entity specific estimates.

The company has undertaken that up to 11.0382% of its shares in Victoria Limited, will be subject to a call option in favour of the founder of the de Grisogono Group. This call option may be exercised by the founder, in whole or in part, during a three year vesting period starting from the third year after 23 February 2012.

The fair value of the call option is determined by using valuation techniques. The company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The option was discounted to its present value using a rate of 3% plus 12 month LIBOR rate for Swiss franc. The fair value estimation was made using generally accepted valuation models and techniques.

At 31 December 2014 and 2013 the carrying amounts of other financial instruments, comprising cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments.

## 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

**4. Investments in subsidiaries**

	2014 €	2013 €
Opening and closing cost and carrying amounts	<b>1,369</b>	1,369

The subsidiaries as at 31 December 2014 and 2013 are shown below:

	Country of Incorporation	Class of shares held	Percentage of shares held
Victoria Limited	Malta	Ordinary shares	79.06%
de Grisogono Holding S.A.	Luxembourg	Ordinary shares	15.14%

Victoria Limited is a private limited company, incorporated in Malta with its principal activity being that of a holding company. Its audited financial statements have been prepared in accordance with Maltese Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, Legal Notice 51 of 2009.

Summarised financial information as per the latest audited financial statements of Victoria Limited as follows:

	2014 €	2013 €
Capital and reserves	<b>(4,032,621)</b>	(4,037,209)
Profit/(loss) for the year after tax	<b>4,588</b>	(3,040,796)

de Grisogono Holding S.A. is a private limited company, incorporated in Luxembourg and its financial statements have been prepared in accordance with Luxembourg GAAP.

Although Victoria Holding Limited holds less than 50% of the equity shares in de Grisogono Holding S.A., and it has less than 50% of the voting power in shareholder meetings, the company controls de Grisogono Holding S.A. through its controlling interest in Victoria Limited, which in turn holds 72.5% of the equity shares in de Grisogono Holding S.A.. Accordingly, the directors consider the investment to be an investment in subsidiary. As a result, the directors also consider Victoria Holding Limited to have control over the entities controlled by de Grisogono Holding S.A.

Summarised financial information as per the latest consolidated financial statements of de Grisogono Holding S.A. is as follows:

	2014 €	2013 €
Capital and reserves	<b>(40,368,870)</b>	(22,109,463)
Loss for the year after tax	<b>(17,767,500)</b>	(23,253,252)

**4. Investments in subsidiaries - continued**

The accounts of de Grisogono Holding Holding S.A. are presented in Swiss franc (CHF) and were converted to euro using the year-end rates of 1.2024 (2013: 1.2276) for the figures relating to capital and reserves and the average rate of 1.2148 (2013: 1.2311) for the figures relating to the results for the year.

The company has undertaken that up to 11.0382% of its shares in Victoria Limited will be subject to a call option in favour of the founder of the de Grisogono Group. This call option may be exercised by the founder, in whole or in part, during a three year vesting period commencing on 23 February 2012.

The directors are of the opinion that there is a strong possibility that the option will be exercised by the founder during the first year of the vesting period and an amount equivalent to 11.0382% of the value of the shares which the company holds in Victoria Limited, equivalent to €131, has been de recognized from investment in subsidiaries, in view of the said call option. The difference between the fair value of the call option and the cost of the shares subject to the option is included in the statement of comprehensive income within 'Other (losses)/gains' (Note 11).

The directors estimate that the fair value of the option, exercisable within 3 years, is negligible.

**5. Loans and other receivables**

	2014 €	2013 €
<b>Non-current</b>		
Amounts due from the subsidiary de Grisogono Holding S.A.	18,833,184	13,019,542
Amounts due from subsidiary de Grisogono S.A.	21,472,813	21,032,022
	40,305,997	34,051,564
<b>Total non-current receivables</b>		
	2014 €	2013 €
<b>Current</b>		
Accrued interest on amount due from the subsidiary de Grisogono S.A.	2,130,400	2,083,026
Amounts due from subsidiary	39,406	19,406
Amounts due from related party	988,386	-
Indirect tax	1,354	-
Prepayments	411	2,601
	3,159,957	2,105,033
<b>Total current receivables</b>		

- (i) On 27 February 2012, the company granted a loan facility amounting to €24,888,000 to its subsidiary de Grisogono Holding S.A.. On 1 January 2013, the loan facility was amended and the company increased the total amount of the facility to €37,220,844. As at the end of the financial year ended 31 December 2014, the drawdowns amounted to €31,356,267. This loan facility, is unsecured, carries interest at 9.5% per annum compounded quarterly and payable on an annual basis. The loan is to be paid by 27 February 2022. The terms of the loan are such that the repayment of the advances to de Grisogono Holding S.A. will only commence in 2015, while interest payments will be received on an annual basis. Accordingly, the amounts due from de Grisogono Holding S.A. have been classified as non-current receivables in these financial statements. As at 31 December 2014, the amounts due from subsidiary de Grisogono Holding S.A. is net of impairment of €18,336,725 ( 2013: €18,336,725).

**5. Loans and other receivables - continued**

- (ii) In 2012, the company purchased, from third parties at a discount, a receivable due from de Grisogono S.A., having a face value of €52,673,250. The purchase price in 2012 was equivalent to the fair value of the receivable, at €21,288,933. The loan is denominated in CHF and amounted to €21,373,919 (2013: €20,935,158) after conversion to euro. The amount due is unsecured, carries an interest of 3.75% per annum compounded quarterly and repayable by February 2022.

Further to the above, Victoria Holding Limited purchased for a cash consideration of €98,501, a further 2.5% of equity shares in its subsidiary, de Grisogono Holding S.A. This same investment was subsequently sold to Riogersa S.A, in exchange for a loan receivable from, de Grisogono S.A.. The face value of this receivable as at the date of purchase amounted to €2,073,750, however the receivable was recognised at its fair value, equivalent to the purchase price. The loan is denominated in CHF, and amounted to €98,894 as at 31 December 2014 (2013: €96,864), after conversion to euro. The amount due is unsecured, carries interest at 3.75% per annum compounded quarterly and payable on an annual basis and repayable by 27 February 2022.

Accordingly, the total face value of the amounts due by de Grisogono S.A. to Victoria Holding Limited as at the end of the financial year ended 31 December 2014 amounted to €54,747,000 (2013: €54,747,000), and these amounts are unsecured, carry interest at 3.75% per annum compounded quarterly and are repayable by 27 February 2022. The directors consider it prudent to recognise the amounts due from de Grisogono S.A. at their fair value price of €21,472,813 as at 31 December 2014 (2013: €21,032,022). The terms of the loans are such that the re-payment of the principal amounts advanced to de Grisogono S.A. will commence in 2015. Therefore, on the basis of the above, the amounts due from de Grisogono S.A. have been classified as non-current receivables in these financial statements.

- (iii) Accrued interest on amounts due from the subsidiary de Grisogono Holding S.A. amounting to €3,772,738 have been fully impaired.
- (iv) Amounts due from subsidiary currently classified as current assets amounts to €4,075,080, out of which €4,055,080 are fully impaired. These amounts are unsecured, interest free and have no fixed date of repayment.
- (v) In 2013, the directors have determined that €26,164,542 of loans and receivables are to be impaired. No impairment was made in 2014.

**6. Cash and cash equivalents**

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

	2014 €	2013 €
Cash at bank	461,240	4,354,067

**7. Share capital**

	2014 €	2013 €
<b>Authorised, issued and fully paid</b> 3,000 ordinary shares of €1 each	3,000	3,000

**8. Borrowings**

	2014 €	2013 €
<b>Non-current</b>		
Amounts due to a shareholder	65,480,603	57,646,291
Accrued interest payable on amount due to a shareholder	17,592,057	8,838,666
	83,072,660	66,484,957

The amounts due to a shareholder are unsecured, carry interest at 9.5% per annum compounded quarterly and repayable by 27 February 2022. The terms of the advances are such that the repayment of the advances and interest will only commence in 2015. Accordingly, these advances have been classified with non-current borrowings. The shareholder has undertaken that it will not request repayment until the company's finances permit.

	2014 €	2013 €
<b>Current</b>		
Amounts due to a shareholder	3,294,622	2,900,431
	3,294,622	2,900,431

The amounts due to a shareholder is unsecured, interest free and has no fixed date of repayment. The shareholder has undertaken that it will not request repayment until the company's finances permit.

**9. Payables**

	2014 €	2013 €
<b>Current</b>		
Payables	1,956,634	1,952,970
Accruals	109,984	112,313
Amounts due to a shareholder	30,051	30,051
Amounts due to related parties	9,975	9,975
	2,106,644	2,105,309

Amounts due to related parties are unsecured, interest free and have no fixed date of repayment. The amounts due to the shareholder above are unsecured, interest free and have no fixed date of repayment. A shareholder has also agreed not to demand repayment of amounts due to him until the company has sufficient funds to honour its obligations.

**10. Expenses by nature**

	2014 €	2013 €
Professional and registration fees (including directors' emoluments – Note 15)	21,159	32,878
Travelling and other expenses	17,886	23,544
Legal fees	2,897	16,521
Bank charges	676	2,687
Consultancy fees	2,251	-
	44,869	75,630

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2014 and 2013 relate to the following:

	2014 €	2013 €
Annual statutory audit	10,000	10,000
Tax advisory and compliance services	1,400	1,400
Other non-audit services	22,010	22,010
	33,410	33,410

**11. Other (losses)/gains**

	2014 €	2013 €
Net foreign exchange (losses)/gains	(8,610,629)	2,124,174

**12. Finance income**

	2014 €	2013 €
Interest income receivable on loans to subsidiaries	2,111,118	5,054,897
Bank interest income	6	9,965
	2,111,124	5,064,862

**13. Finance costs**

	2014 €	2013 €
Interest expense on advances from shareholder	<u>7,022,325</u>	<u>5,691,984</u>

**14. Tax expense**

	2014 €	2013 €
Current tax expense	-	<u>3,483</u>

The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2014 €	2013 €
Loss before tax	<u>(13,566,699)</u>	<u>(24,743,120)</u>
Tax at 35%	(4,748,345)	(8,660,092)
Tax effect of:		
Income not chargeable for tax purposes	(738,893)	(2,512,680)
Disallowed expenses	<u>5,487,238</u>	<u>11,169,289</u>
Tax expense	-	<u>3,483</u>

**15. Directors' emoluments**

	2014 €	2013 €
Salaries and other emoluments	<u>1,180</u>	<u>769</u>



**16. Cash used in operations**

Reconciliation of operating loss to cash used in operations:

	2014 €	2013 €
Operating loss	(8,655,498)	(24,115,998)
Adjustments for:		
Net unrealised foreign exchange gains	8,598,679	(2,224,959)
Impairment of loans and receivables	-	26,164,542
Changes in working capital:		
Other receivables	(932,147)	(291,717)
Payables	1,335	20174
Cash used in operations	(987,631)	(447,958)

**17. Related party transactions**

The directors consider the company to have a related party relationship with the shareholders (Note 19) and entities under common control. Related parties also comprise the company's key management who have the ability to control or exercise a significant influence in financial and operating decisions. Key management compensation is disclosed in Note 15.

The following transactions were entered into with related parties during the financial reporting period:

		2014 €	2013 €
<b>Subsidiaries</b>			
Interest receivable	12	2,111,118	5,054,897
<b>Shareholder</b>			
Interest payable	13	7,022,325	5,691,984

Year-end balances with related parties are disclosed in Notes 6, 8 and 9 to these financial statements.

**18. Commitments**

The company has undertaken to finance the Founder of the de Grisogono Group , for a period of 5 years from the 27 February 2012, to enable the Founder to take part, in proportion to its current shareholdings in Victoria Limited, in possible future share capital increases of Victoria Limited, the company's subsidiary.

Any advances advanced to the Founder shall bear interest at the 12 month Libor rate for Swiss Francs plus a margin of 300 basis points.

The Founder shall reimburse and pay to the company the amounts advanced at the earliest of: (i) the date of exercise of the Founder call option (Note 4) and (ii) 27 February 2020.

The advances, if any, shall be fully secured by the Founder's shares in Victoria Limited.

**19. Statutory information**

Victoria Holding Limited is a limited liability company and is incorporated in Malta, with its registered address at Aragon House Business Centre, Dragonara Road, St. Julians STJ 3140, Malta.

Victoria Holding Limited is jointly owned 50% by Sodiam – Sociedade de Comercializacao de Diamantes de Angola SARL, a company registered in Angola, with its registered address at 100, Rua Major Kanhangulo, Luanda and 50% by Melbourne Investments BV (formerly Exem Mining BV), a company registered in Netherland, with its registered address at Orlyplein 10, 21<sup>st</sup> floor, 1043 DP Amsterdam.

**20. Comparative information**

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with current year's disclosure for the purpose of fairer presentation.