PREMIER CAPITAL p.l.c

REPORT AND GROUP
FINANCIAL STATEMENTS

31 DECEMBER 2011

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Donald's

Directors, officer and other information

Directors:	Marin Hili Joseph Hili (sive) Beppe Carmelo Hili (sive) Melo Richard Abdilla Castillo Charles J. Farrugia Dr. Ann Fenech (Appointed 14th March 2012)
Secretary:	Dr. Matthew Saliba
Registered office:	Nineteen Twenty Three, Valletta Road, Marsa, Malta.
Country of incorporation:	Malta
Company registration number:	C 36522
Auditor:	Deloitte Audit Limited Deloitte Place, Mriehel Bypass, Mriehel, Malta.
Principal bankers:	HSBC Bank Malta p.l.c., Commercial Branch, 233, Republic Street, Valletta, Malta. Nordea Bank Finland p.l.c., Nordea Bank Finland p.l.c. Latvijas filiale, Kalku iela 15, Riga, LV-1050, Latvia.


McDonald's
Express
lovin' it

Premier Capital p.l.c.

Directors' report

Year ended 31 December 2011

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2011.

Principal activities

The group is engaged in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania and Malta.

The company acts as an investment company and service provider to its subsidiary undertakings.

Performance review

During the year under review, the group registered an operating profit of Eur 1,912,769 (2010 – Eur2,150,436) on revenue of Eur72,652,250 (2010 – Eur51,695,336). After accounting for net investment income and finance costs together with other expenses in relation to the group's investment in Greece, the group registered a pre-tax profit of Eur3,055,121 (2010 – Eur378,553).

The group's net assets at 31 December 2011 amounted to Eur16,084,078 (2010 – Eur14,121,730).

During the year under review, the company registered an operating profit of Eur123,378 (2010 – operating loss of Eur31,355). After accounting for net investment income and finance costs, the company registered a net loss of Eur563,763 (2010 – profit of Eur5,208,248). The net assets of the company at the end of the year under review amounted to Eur14,436,279 (2010 – Eur15,472,379).

Following the group's success in the development of the McDonald's business in Malta, Latvia, Lithuania and Estonia, the group continued to expand its portfolio by taking over 18 restaurants in Greece. The group believes that there is a significant business expansion opportunity in the Greek market both for growth in sales of existing and even new restaurants. Notwithstanding the challenges currently being faced by the Greek economy, the group believes that the results will be forthcoming in the medium to long term in line with Greece's economic recovery.

Although the group focused on operational improvements in Greece for the year ended December 2011, the group continued expanding its restaurant operations in the Baltics by opening new restaurants. In January 2011, the group opened a new restaurant in Lithuania bringing the total in the country to 9. Furthermore two of the three planned new restaurants in Latvia, were opened in the last quarter of 2011 bringing the total restaurants in Latvia to 10 by the end of 2011. Works on the third site in Latvia are scheduled to be completed in April 2012.

As a result, the group's expansion and development strategy is progressing well. It is expected that two additional restaurants will be opened in Latvia and one new store has been earmarked for Malta, all to be opened in 2012.

As new restaurants were opened during the year, these restaurants did not contribute a full operating year to the revenue of the group and thus affected operating performance. Furthermore, the Baltic economies underperformed during the first six months, and although they started recovering in the second half of the year, this was gradual. The group also suffered a significant increase in utility costs, and raw material prices. The group's EBITDA increased from Eur5,430,951 in 2010 to Eur6,079,265 in 2011.

It is expected that in 2012 the performance will improve due to the complete recovery of the economies of the Baltic countries coupled with a full year's performance of the restaurants opened in the latter part of 2011.

The reasonable performance of the Maltese operation is expected to improve in 2012 with the opening of a new store in the central part of the island. This will add to the group's market share and brand positioning.

In 2012 it is also expected that the group will keep on facing challenges in Greece. These challenges include the initiation on 1 September 2011 with a VAT increase of 10% which considerably affected the results for Greece.

Results and dividends

The results for the year ended 31 December 2011 are shown in the statements of comprehensive income on page nine. The group's profit for the year after taxation was Eur2,601,090 (2010 – loss of Eur651,772), whilst the company's loss for the year after taxation was Eur386,100 (2010 – profit of Eur3,185,328). An interim dividend of Eur650,000 was declared and paid during 2011. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the period were:

Marin Hili (Chairman)
Carmelo Hili (sive) Melo (Chief Executive Officer)
Joseph Hili (sive) Beppe
Richard Abdilla Castillo
Charles J. Farrugia
Jesmond Mizzi (Resigned 1 December 2011)
Dr. Ann Fenech (Appointed 14th March 2012)

In accordance with the company's articles of association all the directors are to remain in office.

Going concern

After reviewing the group's and company's budget for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to re-appoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 16 April 2012 by:

Marin Hili	Melo Hili
Chariman	Cheif Executive Officer

Statement of directors' responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the company and its group at the end of each financial year and of the profit or loss of the company and its group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2011 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

b. In accordance with the Listing Rules, the directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Melo Hili
Chief Executive Officer


McDonald's

Corporate governance statement of compliance

INTRODUCTION

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Premier Capital p.l.c (the 'company') is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles') contained in Appendix 5.1 of the Listing Rules.

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Principles are in the best interest of the shareholders and other stakeholders since they ensure that the Directors, Management and employees of the group adhere to internationally recognised high standards of Corporate Governance.

The group currently has a corporate decision-making and supervisory structure that is tailored to suit the group's requirements and designed to ensure the existence of adequate checks and balances within the group, whilst retaining an element of flexibility, particularly in view of the size of the group and the nature of the its business. The group adheres to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.7.

THE BOARD OF DIRECTORS

The Board of Directors of the company is responsible for the overall long-term direction of the group, in particular in being actively involved in overseeing the systems of control and financial reporting and that the group communicates effectively with the market.

The Board of Directors meets regularly, with a minimum of four times annually, and is currently composed of six Members, two of which are completely independent from the company or any other related companies.

EXECUTIVE DIRECTOR

Mr. Carmelo sive Melo Hili (Chief Executive Officer)

NON-EXECUTIVE DIRECTORS

Mr Marin Hili (Chairman)
Mr Joseph sive Beppe Hili
Mr Richard Abdilla Castillo
Mr Charles J. Farrugia
Dr Ann Fenech (appointed 14th March 2012)

On 1st December, 2011, Mr Jesmond Mizzi resigned from the offices of Non-Executive Director and Chairman of the Audit Committee. His resignation was necessary due to the recently amended Listing Rules providing that 'no person may act as a Director of an issuer of a listed security if the person concerned is already acting as a director, partner or employee and is authorised to provide investment advice and/or portfolio management in terms of Part B of the Investment Services Rules for Investment Services Providers in an entity licenced in terms of the Investments Services Act' (Listing Rule 3.33).

The Board Meetings are attended by the Chief Financial Officer of the group in order for the Board to have direct access to the financial operation of the group. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are effectively implemented.

AUDIT COMMITTEE

The Terms of Reference of the Audit Committee, which were approved by the Listing Authority of the Malta Financial Services Authority, are modelled on the principles set out in the Listing Rules. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

The Board of Directors established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

Mr Richard Abdilla Castillo (appointed 2nd December, 2011)
Mr Carmelo sive Melo Hili
Mr Charles J. Farrugia
Jesmond Mizzi (Resigned 1st December 2011)

Mr Charles J. Farrugia is an independent non-executive director of the company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

The Chief Financial Officer of the company is also present during the Audit Committee meetings.

The Audit Committee met four times during the year 2011. However, communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

INTERNAL CONTROL

While the Board is ultimately responsible for the group's internal controls as well as their effectiveness, authority to operate the group is delegated to the Chief Executive Officer.

The group's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, inter alia, reviews the effectiveness of the group's system of internal controls in the following manner:

1. Reviewing the group's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives;
3. Appointing and monitoring the Chief Executive Officer whose function is to manage the operations of the group; and
4. Identifying and ensuring that significant risks are managed satisfactorily.

CORPORATE SOCIAL RESPONSIBILITY

The Board is mindful of and seeks to adhere to sound principles of Corporate Social Responsibility in their daily management practices, which is also extended throughout the company's subsidiary companies. There is continuing commitment to operate the business ethically at all times, at the same time as contributing to economic development whilst improving the quality of life of its employees and their families together with the local community and society at large.

The subsidiary companies in Estonia, Greece, Latvia, Lithuania and Malta organise an annual 'McHappy Day' whereby events are organised and funds collected which are then passed on to a local charity. In addition, the Malta subsidiary contributes additional funds for each Happy Meal sold during the event and also provides constant support to child institutions and hospitals through the provision of free meals and toys.

The local subsidiary, Premier Restaurants Malta Limited assists annually in the Olympic Day Run with the aim of promoting physical activity, and during which a donation is presented to the Malta Olympic committee. This incentive has now also been partially adopted by the Lithuanian subsidiary, which offers sponsorship of an annual Olympic day run promoting physical activity.

The Latvia chapter of RMHC (Ronald McDonald House Charity), set up by the group, which operates a Care Mobile which tours the country providing medical services to children in poorly served areas providing a range of medical services with a state-of-the art mobile clinic continues to operate.

The charity is represented in fifty one countries and is responsible for providing grants and services to childrens' well-being programs around the world and Premier Restaurants Malta Limited has, this year, resolved to set up a local Chapter, providing services to the Maltese society.

In carrying on its business, the group is fully aware of its obligation to preserving the environment and has, in fact, put in place a number of policies aimed at respecting the environment and reducing waste.

Approved by the Board of Directors and signed on its behalf on 16 April, 2012 by:

Mr Marin Hili	Mr Carmelo sive Melo Hili
Chairman	Chief Executive Officer

Deloitte.

Independent auditor's report on corporate governance statement of compliance

to the members of

Premier Capital p.l.c

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Corporate Governance Statement to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Corporate Governance Statement.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's or the group's system of internal control or its corporate governance procedures.

In our opinion, the Corporate governance statement set out on pages six to seven has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Paul Darmanin as Principal
in the name and on behalf of
DELOITTE
Registered auditor

16 April 2012


MARIA

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 2011 Eur	Group 2010 Eur	Holding 2011 Eur	Holding 2010 Eur
Revenue	5	**72,652,250**	51,695,336	**-**	-
Cost of sales		**(24,982,964)**	(17,609,386)	**-**	-
Gross profit		**47,669,286**	34,085,950	**-**	-
Other operating income	6	**172,516**	655,678	**2,267,469**	1,644,782
Distribution expenses		**(38,407,764)**	(27,537,256)	**-**	-
Administrative expenses		**(7,521,269)**	(5,053,936)	**(2,144,091)**	(1,676,137)
Operating profit/(loss)		**1,912,769**	2,150,436	**123,378**	(31,355)
Other expenses	30	**(201,506)**	-	**-**	-
Investment income	7	**5,009,007**	421,121	**1,958,065**	7,822,343
Investment losses	8	**(1,007,498)**	-	**(7,498)**	-
Finance costs	9	**(2,657,651)**	(2,193,004)	**(2,637,708)**	(2,582,740)
Profit/(loss) before tax	10	**3,055,121**	378,553	**(563,763)**	5,208,248
Income tax (expense)/credit	13	**(454,031)**	(1,030,325)	**177,663**	(2,022,920)
Profit/(loss) for the year		**2,601,090**	(651,772)	**(386,100)**	3,185,328
Total comprehensive income/(expense) for the year		**2,601,090**	(651,772)	**(386,100)**	3,185,328
Attributable to:					
Owners of the company		**2,735,198**	(1,117,936)		
Non controlling interest who are also owners of the company		**(49,871)**	173,354		
Other non controlling interest		**(84,237)**	292,810		
		2,601,090	(651,772)		

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2011 Eur	Group 2010 Eur	Holding 2011 Eur	Holding 2010 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill		**14,606,999**	14,606,999	**-**	-
Intangible assets	15	**10,348,455**	10,900,645	**9,808,101**	10,367,819
Property, plant and equipment	16	**35,773,992**	27,417,690	**142,816**	92,927
Investment in subsidiaries	18	**-**	-	**27,756,791**	24,469,174
Loans and receivables	18	**-**	-	**11,401,095**	13,824,885
Deferred tax assets	17	**1,863,239**	1,843,892	**1,742,480**	1,787,789
Prepayments	19	**1,646,043**	458,910	**-**	-
		64,238,728	55,228,136	**50,851,283**	50,542,594
Current assets					
Inventories	20	**1,265,946**	1,167,192	**-**	-
Loans and receivables	18	**293,378**	1,282,468	**1,587,029**	2,214,883
Trade and other receivables	21	**1,378,056**	1,884,855	**2,264,654**	3,985,852
Current tax asset		**1,888,540**	1,909,782	**1,699,259**	1,824,819
Financial asset at fair value through profit or loss	18	**-**	989,997	**-**	989,997
Cash at bank and on hand	28	**6,851,156**	6,123,247	**2,677,497**	2,486,915
		11,677,076	13,357,541	**8,228,439**	11,502,466
Total assets		**75,915,804**	68,585,677	**59,079,722**	62,045,060
Current liabilities					
Trade and other payables	22	**9,631,131**	7,359,204	**1,513,638**	1,401,157
Other financial liabilities	23	**254,212**	1,086,686	**377,479**	327,806
Bank overdrafts and loans	24	**4,692,485**	1,867,159	**2,427,702**	1,820,725
Current tax liabilities		**-**	318,915	**-**	-
		14,577,828	10,631,964	**4,318,819**	3,549,688

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		Group		Holding	
	Notes	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Non-current liabilities					
Bank loans	24	**16,718,075**	15,027,288	**12,121,215**	14,545,454
Debt securities in issue	25	**24,522,262**	24,464,357	**24,522,262**	24,464,357
Other financial liabilities	23	**185,009**	390,702	**281,639**	390,702
Deferred tax liabilities	17	**3,828,552**	3,949,636	**3,399,508**	3,622,480
		45,253,898	43,831,983	**40,324,624**	43,022,993
Total liabilities		**59,831,726**	54,463,947	**44,643,443**	46,572,681
Net assets		**16,084,078**	14,121,730	**14,436,279**	15,472,379
EQUITY					
Share capital	26	**13,574,700**	13,574,700	**13,574,700**	13,574,700
Exchange translation reserves		**8,048**	8,306	**-**	-
Other equity	27	**(73,567)**	25,143	**212,351**	212,351
Retained earnings/ (accumulated losses)		**2,096,949**	(98,475)	**649,228**	1,685,328
Equity attributable to owners of the company		**15,606,130**	13,509,674	**14,436,279**	15,472,379
Non controlling interest		**477,948**	612,056	**-**	-
Total equity		**16,084,078**	14,121,730	**14,436,279**	15,472,379

These financial statements were approved by the board of directors, authorised for issue on 16 April 2012 and signed on its behalf by:

Marin Hili
Chairman

Melo Hili
Chief Executive Officer

STATEMENTS OF CHANGES IN EQUITY
GROUP

	Share capital Eur	Exchange translation reserves Eur	Other equity Eur	Retained earnings/ (accumulated losses) Eur	Total attributable to owners of the parent Total Eur	Non Controlling interests Eur	Total Eur
Balance at 1 January 2010	1,747,030	9,961	12,169,011	2,074,088	16,000,090	623,549	16,623,639
Issue of share capital	500,000	-	-	-	500,000	-	500,000
Reduction in share capital	(716,353)	-	212,351	504,002	-	-	-
Capitalised loans (note 29)	2,000,000	-	(2,000,000)	-	-	-	-
Capitalised equity (note 29)	10,044,023	-	(10,044,023)	-	-	-	-
Dividends (note 14)	-	-	-	(1,500,000)	(1,500,000)	(848,482)	(2,348,482)
Exchange differences on translation of foreign operations	-	(1,655)	-	-	(1,655)	-	(1,655)
Movement in legal reserves	-	-	58,629	(58,629)	-	-	-
Capital contribution made by parent attributable to							
non controlling interests (note 27)	-	-	(370,825)	-	(370,825)	370,825	-
(Loss) / profit for the year	-	-	-	(1,117,936)	(1,117,936)	466,164	(651,772)
Balance at 1 January 2011	13,574,700	8,306	25,143	(98,475)	13,509,674	612,056	14,121,730
Dividends (note 14)	-	-	-	(650,000)	(650,000)	-	(650,000)
Exchange differences on translation of foreign operations	-	(258)	-	-	(258)	-	(258)
Movement in legal reserve	-	-	(98,710)	98,710	-	-	-
Pre-acquisition reserves	-	-	-	11,516	11,516	-	11,516
Profit / (loss) for the year	-	-	-	2,735,198	2,735,198	(134,108)	2,601,090
Balance at 31 December 2011	13,574,700	8,048	(73,567)	2,096,949	15,606,130	477,948	16,084,078

STATEMENTS OF CHANGES IN EQUITY
HOLDING

	Share capital Eur	Retained earnings/ (accumulated losses) Eur	Other equity Eur	Total Eur
Balance at 1 January 2010	1,747,030	(504,002)	12,044,023	13,287,051
Issue of share capital	500,000	-	-	500,000
Reduction in share capital	(716,353)	504,002	212,351	-
Capitalised loans (note 29)	2,000,000	-	(2,000,000)	-
Dividends (note 14)	-	(1,500,000)	-	(1,500,000)
Capitalised equity (note 29)	10,044,023	-	(10,044,023)	-
Profit for the year	-	3,185,328	-	3,185,328
Balance at 1 January 2011	13,574,700	1,685,328	212,351	15,472,379
Dividends (note 14)	-	(650,000)	-	(650,000)
Loss for the year	-	(386,100)	-	(386,100)
Balance at 31 December 2011	13,574,700	649,228	212,351	14,436,279

STATEMENTS OF CASH FLOWS

	Group		Holding	
	2011 Eur	**2010 Eur**	**2011 Eur**	**2010 Eur**
Cash flows from operating activities				
Profit/(loss) before tax	**3,055,121**	378,553	**(563,763)**	5,208,248
Adjustments for:				
Depreciation and amortisation	**4,354,041**	3,280,515	**637,228**	626,780
Loss on disposal of property, plant and equipment	**81,825**	12,369	**-**	-
Interest expense	**2,513,251**	1,768,469	**2,425,859**	2,158,205
Interest income	**(53,827)**	(406,844)	**(614,413)**	(694,039)
Amortisation of bond issue expenses	**57,907**	43,431	**57,907**	43,431
Fair value loss of interest rate swap	**86,493**	315,764	**86,493**	315,764
Provision for impairment of other receivables	**1,000,000**	-	**-**	-
Loss on disposal of investment held at fair value thourgh profit or loss	**7,498**	-	**7,498**	-
Investment income	**-**	-	**(1,000,000)**	(7,114,027)
Bargain purchase gain on business combination	**(4,955,180)**	-	**-**	-
Increase in fair value of investments	**-**	(14,277)	**-**	(14,277)
Operating profit before working capital movement	**6,147,129**	5,377,980	**1,036,809**	530,085
Movement in inventories	**169,752**	(28,311)	**-**	-
Movement in trade and other receivables	**85,020**	(81,708)	**1,721,201**	948,362
Movement in trade and other payables	**(818,377)**	(102,965)	**45,826**	(66,922)
Cash flows from operations	**5,583,524**	5,164,996	**2,803,836**	1,411,525
Interest paid	**(2,446,600)**	(903,467)	**(2,359,208)**	(883,203)
Income tax (paid)/refund	**(892,135)**	(618,925)	**125,560**	-
Net cash flows from operating activities	**2,244,789**	3,642,604	**570,188**	528,322

STATEMENTS OF CASH FLOWS (CONTINUED)

	Group		Holding	
	2011	**2010**	**2011**	**2010**
Cash flows from investing activities				
Purchase of property, plant and equipment	**(6,643,889)**	(10,587,807)	**(127,399)**	(104,815)
Proceeds from sale of property, plant and equipment	**126,574**	138,192	**-**	-
Purchase of intangible assets	**(123,389)**	(2,389)	**-**	-
Purchase of investment in subsidiary	**-**	-	**(3,287,617)**	(1,000,002)
Capital contribution to subsidiary	**-**	-	**-**	(1,750,000)
Proceeds from sale of financial assets at fair value through profit or loss	**982,499**	-	**982,499**	-
Purchase of financial assets at fair value through profit or loss	**-**	(975,720)	**-**	(975,720)
Movement in related party balances	**-**	(792,703)	**3,051,643**	(12,040,359)
Interest received	**53,827**	330,468	**614,413**	123,332
Dividends Received	**-**	-	**1,000,000**	2,259,000
Net cash inflow on acquisition of subsidiary	**345,440**	-	**-**	-
Net cash flows from investing activities	**(5,258,938)**	(11,889,959)	**2,233,539**	(13,488,564)
Cash flows from financing activities				
Bonds issued	**-**	24,420,926	**-**	24,420,926
Movement in bank loans	**3,029,899**	(6,859,900)	**(1,818,181)**	(6,823,272)
Movement in related party balances	**725,945**	(190,490)	**(145,883)**	(192,395)
Issue of share capital	**-**	500,000	**-**	500,000
Dividends paid	**(1,500,000)**	(1,500,000)	**(650,000)**	(1,500,000)
Net cash from financing activities	**2,255,844**	16,370,536	**(2,614,064)**	16,405,259
Net movement in cash and cash equivalents	**(758,305)**	8,123,181	**189,663**	3,445,017
Cash and cash equivalents at the beginning of the year	**6,116,784**	(2,005,920)	**2,484,372**	(960,645)
Effect of foreign exchange changes on cash and cash equivalents	**-**	(477)	**-**	-
Cash and cash equivalents at the end of the year (note 28)	**5,358,479**	6,116,784	**2,674,035**	2,484,372
	5,358,479	6,116,784	**2,674,035**	2,484,372

Notes to the financial statements

1. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies adopted are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the group entities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets or liabilities of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consists of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except where the exceptions to the recognition or measurement principles apply.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The policy described above is applied to all business combinations that take place on or after 1 January 2010

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN SUBSIDIARIES

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

Investment in subsidiaries in the company's financial statements are stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

INTERESTS IN JOINTLY CONTROLLED ENTITIES

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements which involve the establishment of an entity in which each venturer has an interest are referred to as jointly controlled entities.

The group reports its interests in jointly controlled entities using proportionate consolidation, from the date that joint control commences until the date that joint control ceases. The group's share of the assets, liabilities, income and expenses of the jointly controlled entity are combined with similar items in the group's financial statements on a line-by-line basis.

PROPERTY, PLANT AND EQUIPMENT

The group's property, plant and equipment are classified into the following classes – land and buildings, improvement to premises, motor vehicles, plant and equipment and other equipment. The holding company's property, plant and equipment are classified into motor vehicles and furniture, fixtures and other equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.
Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

PROPERTIES IN THE COURSE OF CONSTRUCTION

Properties in the course of construction for production, supply, or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. For qualifying assets, cost includes borrowing costs capitalised in accordance with the group's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commence when the assets are available for use.

DEPRECIATION

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2.5% - 5% per annum
Improvements to premises	5% - 20% per annum in line with lease expiry
Motor vehicles	12.5% - 33.3% per annum
Plant and equipment	10% - 50% per annum
Furniture, fixtures and other equipment	10% - 25% per annum

No depreciation is charged on land.

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

INTANGIBLE ASSETS

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over the estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (CONTINUED)

Intangibles are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

(i) SUPPORT SERVICES LICENCE

After initial recognition, support services licence is carried at cost less any accumulated amortisation and any accumulated impairment losses. Support services licence is written off to profit or loss by equal installments over the term of the support services agreement with the subsidiaries, being 20 years.

(ii) COMPUTER SOFTWARE

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the group's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over three to five years.

(iii) ACQUIRED RIGHTS

Acquired rights are classified as intangible assets. After initial recognition, acquired rights are carried at cost less any accumulated amortisation and any accumulated impairment losses. Acquired rights are amortised on a straight-line basis over thirty-five to forty years.

(iv) FRANCHISEE FEES

After initial recognition, franchisee fees are carried at cost less any accumulated amortisation and any accumulated impairment losses. Franchisee fees are written off to profit or loss by equal instalments over the term of the franchisee agreement.

OTHER FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) INVESTMENTS

The group's investments are classified into the following categories - loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the group may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are recognised at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised, or impaired, or through the amortisation process.

Financial assets at fair value through profit or loss are those that are held for trading purposes or those financial assets that are so designated upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

Where applicable, dividend income on financial assets at fair value through profit or loss is recognised with other dividend income, if any, arising on other financial assets. Where applicable, interest income on financial assets at fair value through profit or loss is disclosed separately within the line item investment income. Fair value gains and losses are recognised within the line items investment income or investment losses as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER FINANCIAL INSTRUMENTS (CONTINUED)

(iii) BANK BORROWINGS

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) OTHER BORROWINGS

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(v) TRADE AND OTHER PAYABLES

Trade and other payables are classified with current liabilities and are stated at their nominal value, unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

(vi) SHARES ISSUED BY THE COMPANY

Ordinary shares issued by the company are classified as equity instruments.

(vii) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated and effective hedging instruments. During the year under review and during the prior year, the group did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes. After initial recognition, derivative financial instruments are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The group considers the nature and use of the inventory when calculating the cost of inventories.

Cost is calculated using the weighted average method. Cost comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the costs to be incurred in marketing, selling and distribution.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

IMPAIRMENT

All assets are tested for impairment except for deferred tax assets and inventories. At the end of each reporting period, the carrying amount of assets, including cash-generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually, irrespective of whether an indication of impairment exists.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial instrument.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Where it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs is determined. For cash-generating units, where the recoverable amount is less than the carrying amount, the carrying amount of the assets of the unit is reduced first to reduce the carrying amount of any goodwill allocated, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses are recognised immediately in profit or loss.
For loans and receivables, 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, the previously recognised impairment loss is reversed directly.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT (CONTINUED)

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment reversals are recognised immediately in profit or loss.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is not reversed in a subsequent period.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for goods sold 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 company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) 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 time of delivery.

(ii) INTEREST INCOME

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount.

(iii) OTHER OPERATING INCOME AND COMMISSIONS

Other operating income and commissions are accounted for on an accruals basis.

(iv) DIVIDEND INCOME

Dividend income is recognised when the shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably.

BORROWING COSTS

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee.

All other leases are classified as operating leases. Lease classification is made at the inceptions of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provision of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

TAXATION

Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

tax assets for the carry forward of unused tax losses, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and interests in joint ventures where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and 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 which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

EMPLOYEE BENEFITS

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

CURRENCY TRANSLATION

The financial statements of the company are presented in its functional currency, the Euro, being the currency of the primary economic environment in which the company operates. In preparing the financial statements of each individual group entity, transactions in currency other than the company's functional currency are recognised at the rate of exchange prevailing at the date of transaction.

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.
Foreign exchange gains and losses are included within operating profit, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting consolidated financial statements, income and expenses of the group's foreign operations are translated to Euro at the average exchange rates. Assets and liabilities of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Exchange differences are recognised in other comprehensive income accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows and are presented in current liabilities in the statement of financial position.

DIVIDENDS

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DIVIDENDS (CONTINUED)

Dividends to holders of equity instruments, are debited directly to equity. Dividends relating to a financial liability, or to a component that is a financial liability, are recognised as an expense in profit or loss and are presented in the statement of comprehensive income with finance costs.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

The group reviews property, plant and equipment and intangible assets to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable.

In addition, the group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Goodwill arising on a business combination is allocated, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill as at the reporting date relates to the Malta operations.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flows up to 2021 and projection of terminal value using the perpetuity method;
- growth rate of 3%; and
- use of 11% - 17% (pre-tax) to discount the projected cash flows to net present values.

Based on the above assessment, management expects the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

4. INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL FINANCIAL REPORTING STARDARDS IN ISSUE BUT NOT YET EFFECTIVE

(I) INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD

In the current year, the company has applied International Accounting Standard 24 (as revised in 2009) – Related Party Disclosures. The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The company is not a government-related entity. The application of the revised standard did not result in the identification of related parties that were not identified under the previous standard.

(II) INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board were either not yet endorsed by the EU or were not yet applicable to the group.

IFRS 9 represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The requirements for financial liabilities address the problem of volatility in profit or loss arising from measuring own debt at fair value. Under IFRS 9, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income. This standard is effective for annual periods beginning on are after 1 January 2015.

IFRS 10 Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (that is, whether an entity is controlled through voting rights of the investors or otherwise). IFRS 10 supersedes SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. This standard is effective for annual periods beginning on are after 1 January 2013.

4. INITIAL APPLICATION OF AN INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL FINANCIAL REPORTING STARDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case in terms of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on are after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on are after 1 January 2013.

The revised IAS 27 was issued concurrently with IFRS 10. Together, the two IFRSs supersede IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). This standard is effective for annual periods beginning on are after 1 January 2013.

IAS28 (Amendments) - This Standard supersedes IAS 28 Investments in Associates (as revised in 2003). It introduces certain additional guidance in respect of investments held by a venture capital organisation, or a mutual fund, unit trust and similar entities. These amendments are effective for annual periods beginning on are after 1 January 2013.

IFRS 13 Fair Value Measurement defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. This standard is effective for annual periods beginning on are after 1 January 2013.

IAS 1 (Amendments) Presentation of Financial Statements - These Amendments will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for annual periods beginning on are after 1 July 2012.
IAS32 and IFRS7 (Amendments) - These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. These amendments are effective for annual periods beginning on are after 1 January 2014 and 1 January 2013 respectively.

The directors anticipate that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

5. SEGMENT INFORMATION

The group operates one business activity which is the operation of the McDonalds restaurant business which activities are licensed under the terms of franchise agreements awarded for each geographical location. The main line of activities are reported according to the geographical location. Each of these operating segments is managed separately as each of these lines require local resources and as well marketing approaches. All inter segment transfers for management services are carried out cost basis.

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.
Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. The group's reportable segments under IFRS 8 are direct sales attributable to each country where it operates as a McDonalds development licensee.

The group operates in five principal geographical areas - Malta (country of domicile), Estonia, Greece, Latvia and Lithuania.

MEASUREMENT OF OPERATING SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES

Segment profit represents the profit earned by each segment after allocation of central administration costs and finance costs based on services and finance provided. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note two.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to consolidated totals are reported below:

5. SEGMENT INFORMATION (CONTINUED)

Profit or loss	**2011 Eur**	**2010 Eur**
total profit for reportable segments	**730,980**	4,031,307
elimination of inter segment profits	**(874,674)**	(1,736,147)
unallocated amounts	**3,198,815**	(1,916,607)
	3,055,121	378,553

Assets	**2011 Eur**	**2010 Eur**
Total assets for reportable segments	**39,521,784**	37,796,345
Elimination of receivables	**(5,205,743)**	(11,646,623)
Unallocated amounts:		
Intangible assets	**9,757,943**	10,367,819
Loans and receivables	**12,644,473**	16,039,768
Goodwill	**14,606,999**	14,606,999
Other unallocated amounts	**5,590,348**	1,421,369
	76,915,804	68,585,677

Liabilities	**2011 Eur**	**2010 Eur**
Total liabilities for reportable segments	**20,987,652**	23,632,830
Elimination of payables	**(14,534,228)**	(19,377,433)
Unallocated amounts:		
Bank loans	**19,917,539**	16,894,447
Debt Securities in issue	**24,522,262**	24,464,357
Other segment liabilities	**8,938,501**	8,849,746
	59,831,726	54,463,947

5. SEGMENT INFORMATION (CONTINUED)

The group's revenue and results from external customers and information about it assets and liabilities by reportable segment are detailed below.

	Estonia 2011 Eur	Greece 2011 Eur	Latvia 2011 Eur	Lithuania 2011 Eur	Malta 2011 Eur	Total 2011 Eur	Unallocated 2011 Eur	Eliminations and adjustments 2011 Eur	Consolidated 2011 Eur
Revenue	13,943,249	13,917,352	13,790,628	13,233,810	18,152,902	73,037,941	-	(385,691)	72,652,250
Profit before tax	257,288	(530,075)	42,776	1,065,898	(104,907)	730,980	(475,613)	2,799,754	3,055,121
Depreciation and amortisation	702,156	444,754	560,143	554,110	1,301,723	3,562,886	758,788	-	4,321,674
Segment assets	7,156,406	5,643,001	13,241,040	6,118,496	7,362,841	39,521,784	42,599,763	(5,205,743)	76,915,804
Capital expenditure	411,861	398,376	1,924,215	619,001	653,945	4,007,398	5,281,022	(2,521,142)	6,767,278
Segment liabilities	4,282,565	2,263,822	8,318,950	1,072,878	5,049,438	20,987,653	53,378,301	(14,534,228)	59,831,726
Income tax (credit)/expense	-	(35,436)	106,007	86,706	470,697	627,974	(118,252)	(55,691)	454,031

	Estonia 2010 Eur	Greece 2010 Eur	Latvia 2010 Eur	Lithuania 2010 Eur	Malta 2010 Eur	Total 2010 Eur	Unallocated 2010 Eur	Eliminations and Adjustments 2010 Eur	Consolidated 2010 Eur
Revenue	10,287,393	-	12,514,671	11,485,048	17,408,224	51,695,336	-	-	51,695,336
Profit before tax	(293,927)	-	1,440,542	(72,034)	2,956,726	4,031,307	5,197,420	(8,850,174)	378,553
Depreciation and amortisation	446,098	-	455,688	482,458	1,216,340	2,600,584	679,004	-	3,279,588
Segment assets	7,076,642	-	11,828,390	7,668,014	11,223,299	37,796,345	42,435,955	(11,646,623)	68,585,677
Capital expenditure	5,041,303	-	2,306,571	2,359,993	860,243	10,568,110	185,276	410,000	11,163,386
Segment liabilities	4,464,015	-	7,230,419	3,604,103	8,334,293	23,632,830	50,208,550	(19,377,433)	54,463,947
Income tax expense	-	-	104,058	1,156	653,376	758,590	2,025,184	(1,753,449)	1,030,325

6. OTHER OPERATING INCOME

	Group		Holding	
	2011 **Eur**	**2010** **Eur**	**2011** **Eur**	**2010** **Eur**
Consultancy fees	**22,145**	11,267	**970,704**	443,267
Support services	**-**	-	**1,293,940**	1,201,515
Other income	**150,371**	644,411	**2,825**	-
	172,516	655,678	**2,267,469**	1,644,782

7. INVESTMENT INCOME

	Group		Holding	
	2011 **Eur**	**2010** **Eur**	**2011** **Eur**	**2010** **Eur**
Interest income on bank deposits	**32,463**	71,644	**32,466**	14,278
Interest income on subsidiary loans	**-**	-	**904,235**	494,331
Interest income on related party loans	**4,862**	76,377	**4,862**	76,377
Interest income on financial asset at fair value through profit or loss	**16,502**	258,823	**16,502**	109,053
Increase in fair value of financial assets at fair value through profit or loss	**-**	14,277	**-**	14,277
Gain on bargain purchase of business combination (note 30)	**4,955,180**	-	**-**	-
Dividends from investments in subsidiaries	**-**	-	**1,000,000**	7,114,027
	5,009,007	421,121	**1,958,065**	7,822,343

8. INVESTMENT LOSSES

	Group		Holding	
	2011 **Eur**	**2010** **Eur**	**2011** **Eur**	**2010** **Eur**
Loss on disposal of financial assets at fair value through profit or loss	**7,498**	-	**7,498**	-
Provision for impairment against other debtors	**1,000,000**	-	**-**	-
	1,007,498	-	**7,498**	-

9. FINANCE COSTS

	Group		Holding	
	2011 **Eur**	**2010** **Eur**	**2011** **Eur**	**2010** **Eur**
Interest on bank overdraft and loans	551,820	569,506	531,877	549,242
Interest on bonds	1,700,004	865,002	1,700,004	1,275,002
Amortisation of bond issue expenses	57,907	43,431	57,907	43,431
Interest on amounts payable to to related parties	9,548	13,141	9,548	13,141
Loss for the year and interest cost on derivative financial instrument	270,923	636,584	270,923	636,584
Other finance costs	67,449	65,340	67,449	65,340
	2,657,651	2,193,004	2,637,708	2,582,740

10. PROFIT / (LOSS) BEFORE TAX

	Group		Holding	
	2011 **Eur**	**2010** **Eur**	**2011** **Eur**	**2010** **Eur**
This is stated after charging:				
Depreciation of property, plant and equipment and amortisation of intangible assets	4,354,041	3,280,515	637,228	626,780
Net exchange differences	-	24,902	-	-

The analysis of the amounts that are payable to the auditors and that are required to be disclosed may be analysed as follows:

GROUP

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to Eur35,000 (2010 – Eur34,000) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to Eur48,600 (2010 – Eur50,760). Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to Eur40,500 (2010 – Eur64,550).

HOLDING COMPANY

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to Eur5,000 (2010 – Eur5,000). Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to Eur39,650 (2010 – Eur64,550).

11. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Directors' compensation:				
Short term benefits:				
Salaries and social security contribution	**125,358**	118,513	**28,669**	22,000

12. STAFF COSTS AND EMPLOYEE INFORMATION

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Staff costs:				
Wages and salaries	**16,450,323**	11,915,362	**873,054**	581,611
Social security costs	**4,304,926**	2,573,166	**14,318**	11,288
	20,755,249	14,488,528	**887,372**	592,899

The average number of persons employed during the year by the group and the company, was made up as follows:

	Group		Holding	
	2011 Number	2010 Number	2011 Number	2010 Number
Operations	**2,218**	1,675	**-**	-
Administration	**134**	113	**13**	9
	2,352	1,788	**13**	9

13. INCOME TAX EXPENSE/(CREDIT)

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Current tax expense/(credit)	**594,462**	(1,001,905)	**-**	-
Deferred tax (credit)/expense	**(140,431)**	2,032,230	**(177,663)**	2,022,920
	454,031	1,030,325	**(177,663)**	2,022,920

13. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled below.

The tax rate used for the 2011 and 2010 reconciliations is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in Malta.

	Group		Holding	
	2011 Eur	**2010 Eur**	**2011 Eur**	**2010 Eur**
Profit/(loss) for the year before tax	3,055,121	378,553	**(563,763)**	5,208,248
Tax at the applicable rate of 35%	1,069,292	132,494	**(197,317)**	1,822,887
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	281,474	151,696	**-**	-
Disallowable expenses	292,662	177,267	**19,654**	225,800
Intra-group dividends	350,000	790,650		
Permanent differences on sale of fixed assets	306,178	-	**-**	-
Different tax rates of subsidiaries operating in other jurisdictions	(384,149)	19,479	**-**	-
Profits not chargeable to tax and tax exemptions	(86,706)	(1,159)	**-**	-
Gain on disposal of investments	-	(25,767)	**-**	(25,767)
Gain on bargain purchase	(1,734,313)	-	**-**	-
Other permanent differences	359,593	(214,335)	**-**	-
Income tax expense/(credit) for the year	454,031	1,030,325	**(177,663)**	2,022,920

14. DIVIDENDS

In respect of the current year, a net dividend of Eur650,000 (Eur4.79 per ordinary share) was declared and paid in 2011. In the prior year, an interim net dividend of Eur1,500,000 (Eur11.05 per ordinary share) was declared and paid. The directors do not recommend the payment of a final dividend.

15. INTANGIBLE ASSETS
GROUP

	Support services license Eur	Computer software Eur	Acquired rights and Franchisee Fee Eur	Total Eur
Cost				
At 01.01.2010	12,366,964	25,843	742,317	13,135,124
Additions	-	2,389	-	2,389
Disposals	-	(1,902)	-	(1,902)
Difference on exchange	-	77	183	260
At 01.01.2011	12,366,964	26,407	742,500	13,135,871
Additions	-	66,528	56,861	123,389
Disposals	-	(783)	(149,040)	(149,823)
At 31.12.2011	12,366,964	92,152	650,321	13,109,437
Amortisation				
At 01.01.2010	1,236,696	25,257	327,216	1,589,169
Provision for the year	618,346	962	28,518	647,826
Disposals	-	(1,894)	-	(1,894)
Difference on exchange	-	73	52	125
At 01.01.2011	1,855,042	24,398	355,786	2,235,226
Provision for the year	618,351	2,564	31,839	652,754
Disposals	-	(782)	(126,216)	(126,998)
At 31.12.2011	2,473,393	26,180	261,409	2,760,982
Carrying amount				
At 31.12.2010	10,511,922	2,009	386,714	10,900,645
At 31.12.2011	9,893,571	65,972	388,912	10,348,455

15. INTANGIBLE ASSETS (CONTINUED)
HOLDING

	Support services license Eur	Assets not yet in use Eur	Total Eur
Cost			
At 01.01.2010	12,197,438	-	12,197,438
Additions	-	-	-
At 01.01.2011	12,197,438	-	12,197,438
Additions	-	50,158	50,158
At 31.12.2011	12,197,438	50,158	12,247,596
Amortisation			
At 01.01.2010	1,219,744	-	1,219,744
Provision for the year	609,875	-	609,875
At 01.01.2011	1,829,619	-	1,829,619
Provision for the year	609,876	-	609,876
At 31.12.2011	2,439,495	-	2,439,495
Carrying amount			
At 31.12.2010	10,367,819	-	10,367,819
At 31.12.2011	9,757,943	50,158	9,808,101

The amortisation expense on intangible assets has been included in the line items 'Distribution expenses' and 'Administrative expenses' in the statement of comprehensive income.

16. PROPERTY, PLANT AND EQUIPMENT
GROUP

	Land and buildings Eur	Improvements to premises Eur	Motor vehicles Eur	Plant and equipment Eur	Other equipment Eur	Total Eur
Cost						
At 01.01.2010	14,741,778	6,747,810	279,318	15,764,711	1,577,184	39,110,801
Additions	6,905,466	55,309	40,418	3,935,893	226,300	11,163,386
Disposals	(2,405)	(198,957)		(973,317)	(23,908)	(1,198,587)
Net exchange difference	56,787	29	20	20,921	13,802	91,559
At 01.01.2011	21,701,626	6,604,191	319,756	18,748,208	1,793,378	49,167,159
Net acquisitions through business combination	900,000	1,442,543	-	3,256,730	-	5,599,273
Additions	3,132,803	792,338	50,567	1,959,311	684,955	6,619,974
Disposals	-	(537,310)	(53,092)	(1,430,434)	(179,304)	(2,200,140)
Transfers between categories	(202,007)	-	-	202,386	(379)	-
At 31.12.2011	25,532,422	8,301,762	317,231	22,736,201	2,298,650	59,186,266
Accumulated depreciation						
At 01.01.2010	5,753,128	3,982,043	120,373	9,357,339	694,658	19,907,541
Provision for the year	627,490	412,646	41,939	1,386,627	163,987	2,632,689
Released on disposal	(1,191)	(7,057)	-	(795,512)	(23,753)	(827,513)
Difference on exchange	20,478	15	10	10,971	5,278	36,752
At 01.01.2011	6,399,905	4,387,647	162,322	9,959,425	840,170	21,749,469
Provision for the year	797,759	612,352	40,954	2,039,482	210,739	3,701,286
Disposal	-	(505,343)	(20,158)	(1,361,825)	(151,155)	(2,038,481)
At 31.12.2011	7,197,664	4,494,656	183,118	10,637,082	899,754	23,412,274
Carrying amount						
At 31.12.2010	15,301,721	2,216,544	157,434	8,788,783	953,208	27,417,690
At 31.12.2011	18,334,758	3,807,106	134,113	12,099,119	1,398,896	35,773,992

Interest capitalised by the group during 2011 amounted to Eur328,021 (2010 – Eur 410,000).

The group's land and buildings with a carrying amount of Eur4.7m (2010 – Eur738,981) have been pledged to secure bank borrowings of the subsidiaries in Latvia and Lithuania.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
HOLDING

	Motor Vehicles Eur	Furniture, fixtures and other equipment Eur	Total Eur
Cost			
At 01.01.2010	-	6,086	6,086
Additions	-	104,815	104,815
At 01.01.2011	-	110,901	110,901
Additions	50,000	27,241	77,241
At 31.12.2011	50,000	138,142	188,142
Accumulated depreciation			
At 01.01.2010	-	1,069	1,069
Provision for the year	-	16,905	16,905
At 01.01.2011	-	17,974	17,974
Provision for the year	-	27,352	27,352
At 31.12.2011	-	45,326	45,326
Carrying amount			
At 31.12.2010	-	92,927	92,927
At 31.12.2011	50,000	92,816	142,816

17. DEFERRED TAXATION

GROUP

	Opening balance Eur	Recognised in profit and loss Eur	Closing balance Eur
Deferred tax assets			
2010			
Arising on:			
Temporary differences on property, plant and equipment	-	56,103	**56,103**
Unused tax losses	2,607,647	(819,858)	**1,787,789**
	2,607,647	(763,755)	**1,843,892**
2011			
Arising on:			
Temporary differences on property, plant and equipment	56,103	29,628	**85,731**
Unused tax losses	1,787,789	(45,309)	**1,742,480**
Other differences	-	35,028	**35,028**
	1,843,892	19,347	**1,863,239**
Deferred tax liabilities			
2010			
Arising on:			
Temporary differences on intangible assets	2,413,697	1,208,782	**3,622,479**
Temporary differences on property, plant and equipment	267,464	59,693	**327,157**
	2,681,161	1,268,475	**3,949,636**
2011			
Arising on:			
Temporary differences on intangible assets	3,622,479	(222,972)	**3,399,507**
Temporary differences on property, plant and equipment	327,157	101,888	**429,045**
	3,949,636	(121,084)	**3,828,552**

17. DEFERRED TAXATION (CONTINUED)
HOLDING

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2010			
Arising on:			
Unused tax losses	2,607,647	(819,858)	**1,787,789**
2011			
Arising on:			
Unused tax losses	1,787,789	(45,309)	**1,742,480**
Deferred tax liabilities			
2010			
Arising on:			
Temporary differences on intangible assets	2,419,418	1,203,062	**3,622,480**
2011			
Arising on:			
Temporary differences on intangible assets	3,622,480	(222,972)	**3,399,508**

Deferred tax assets have been recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

18. FINANCIAL ASSETS
(a) Investments in subsidiaries

	Holding Eur
Cost	
At 01.01.2010	21,719,172
Capital contribution in cash	1,750,000
Additions	1,000,002
At 01.01.2011	24,469,174
Additions	3,287,617
At 31.12.2011	27,756,791

18. FINANCIAL ASSETS (CONTINUED)

Details of the company's subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest	Proportion of ownership interest	Holding	Proportion of voting power held	Proportion of voting power held	Principal activity
		2011	2010		2011	2010	
		%	%		%	%	
SIA Premier Restaurants Latvia	Latvia	100	100	Direct	100	100	Operates McDonald's restaurants in Latvia
Premier Estates Ltd	Latvia	100	100	Direct	100	100	Development and leasing of property
AS Premier Restaurants Eesti	Estonia	100	100	Indirect	100	100	Operates McDonald's restaurants in Estonia
Premier Estates Eesti OU	Estonia	100	100	Indirect	100	100	Development and leasing of property
Premier Restaurants UAB	Lithuania	100	100	Indirect	100	100	Operates McDonald's restaurants in Lithuania
Premier Estates Lietuva UAB	Lithuania	100	100	Direct	100	100	Development and leasing of property
Premier Restaurants Malta Limited	Malta	78.81	78.81	Direct	86.69	86.69	Operates McDonald's restaurants in Malta
Premier Arcades Limited	Malta	78.81	78.81	Indirect	86.69	86.69	Operates McDonald's restaurants in Malta
Premier Assets (Malta) Limited	Malta	78.81	78.81	Indirect	86.69	86.69	Development and leasing of property
Premier Capital B.V.	Netherlands	100	-	Direct	100	-	Holding company
Premier Capital Hellas S.A. acquired in June 2011	Greece	100	-	Direct	100	-	Operates McDonald's restaurants in Greece

18. FINANCIAL ASSETS (CONTINUED)

(b) Joint ventures

Premier Restaurants Malta Limited (a subsidiary) has an indirect 50% interest in Arcades Limited. The following amounts are included in the group financial statements as a result of proportionate consolidation of Arcades Limited:

	2011 Eur	2010 Eur
Current assets	**61,838**	34,991
Non-current assets	**321,434**	411,787
Current liabilities	**325,406**	442,091
Non-current liabilities	**-**	4,104
Income	**1,273,730**	1,325,253
Expenses	**1,216,447**	1,221,829

(c) Financial assets at fair value through profit or loss

	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Fair Value				
Financial assets designated as at fair value through profit or loss upon initial recognition				
- local listed equity instruments	**-**	989,997	**-**	989,997

18. FINANCIAL ASSETS (CONTINUED)

(d) Loans and receivables

	Group		Holding		
	Loans to other related parties Eur	**Total Eur**	**Loan to subsidiary Eur**	**Loans to other related parties Eur**	**Total Eur**
Amortised cost					
At 01.01.2010	489,765	**489,765**	3,509,644	489,765	**3,999,409**
Increase	792,703	**792,703**	11,247,656	792,703	**12,040,359**
At 01.01.2011	1,282,468	**1,282,468**	14,757,300	1,282,468	**16,039,768**
Increase	194,797	**194,797**	387,565	538,448	**926,013**
Repayments	(1,183,887)	**(1,183,887)**	(2,793,770)	(1,183,887)	**(3,977,657)**
At 31.12.2011	293,378	**293,378**	12,351,095	637,029	**12,988,124**
Carrying amount					
At 31.12.2010	1,282,468	**1,282,468**	14,757,300	1,282,468	**16,039,768**
Less: Amount expected to be settled within 12 months (shown under current assets)	(1,282,468)	**(1,282,468)**	(932,415)	(1,282,468)	**(2,214,883)**
Amount expected to be settled after 12 months	-	**-**	13,824,885	-	**13,824,885**
At 31.12.2011	293,378	**293,378**	12,351,095	637,029	**12,988,124**
Less: Amount expected to be settled within 12 months (shown under current assets)	(293,378)	**(293,378)**	(950,000)	(637,029)	**(1,587,029)**
Amount expected to be settled after 12 months	-	**-**	11,401,095	-	**11,401,095**

The loans to subsidiaries amounting to Eur12,165,264 are unsecured and bear interest at 6.8%. Full repayment of the loans is receivable by 2018. The remaining loans are unsecured, interest-free and repayable on demand.

The loans to related parties amounting to Eur637,029 (2010 – Eur1,282,468) are unsecured, interest-free, and repayable on demand.

19. PREPAYMENTS

These relate mainly to prepaid rents and guarantee deposits made by the group's subsidiaries in Estonia and Greece. The total amount as at the end of the reporting period stands at Eur1,646,043 (2010 – Eur458,910) after having recorded prepayments within a twelve month period of Eur603,364 (2010 Eur28,405) as current assets.

20. INVENTORIES

	Group		Holding	
	2011	**2010**	**2011**	**2010**
	Eur	**Eur**	**Eur**	**Eur**
Raw materials and consumables				
	1,265,946	1,167,192	**-**	-

21. TRADE AND OTHER RECEIVABLES

	Group		Holding	
	2011	**2010**	**2011**	**2010**
	Eur	**Eur**	**Eur**	**Eur**
Trade receivables	**66,749**	45,376	**4,878**	317
Other receivables	**309,279**	1,215,345	**61,609**	125,538
Amounts due from related companies	**28,385**	338,852	**26,408**	26,408
Net acquisitions through subsidiaries	**-**	-	**2,124,722**	3,818,922
Prepayments and accrued income	**973,643**	285,282	**47,037**	14,667
	1,378,056	1,884,855	**2,264,654**	3,985,852

No interest is charged on trade and other receivables. The amounts due from subsidiaries and related parties are unsecured, interest-free and are repayable on demand. Other receivables are stated after a provision for impairment of Eur1,000,000 (2010: Nil).

22. TRADE AND OTHER PAYABLES

	Group		Holding	
	2011	**2010**	**2011**	**2010**
	Eur	**Eur**	**Eur**	**Eur**
Trade payables	**3,539,580**	2,919,104	**9,263**	33,878
Other payables	**1,112,580**	860,949	**-**	-
Social security liabilities	**1,186,161**	856,618	**-**	-
VAT and other liabilities	**984,626**	353,899	**-**	-
Accruals and deferred income	**2,808,184**	2,368,634	**1,504,375**	1,367,279
	9,631,131	7,359,204	**1,513,638**	1,401,157

No interest is charged on trade and other payables.

23. OTHER FINANCIAL LIABILITIES

Other financial liabilities are repayable as follows:

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Shareholders' loans	**-**	-	**-**	-
Amounts due to related companies	**36,964**	313,228	**167,345**	313,228
Amounts due to group companies	**-**	-	**89,516**	89,516
Derivative financial liability held for trading	**402,257**	315,764	**402,257**	315,764
Dividends payable to non controlling interest	**-**	848,396	**-**	-
	439,221	1,477,388	**659,118**	718,508
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(254,212)**	(1,086,686)	**(377,479)**	(327,806)
	185,009	390,702	**281,639**	390,702

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
On demand or within one year	**254,212**	1,086,686	**377,479**	327,806
In the second year	**152,732**	190,135	**203,662**	190,135
In the third year	**32,277**	163,569	**77,977**	163,569
In the fourth year	**-**	36,998	**-**	36,998
In the fifth year	**-**	-	**-**	-
	439,221	1,477,388	**659,118**	718,508
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(254,212)**	(1,086,686)	**(377,479)**	(327,806)
	185,009	390,702	**281,639**	390,702

Included in the amount due to related parties is an outstanding amount of Eur166,293 (2010 – Eur260,113) which bears interest at 4.25% per annum, Eur103,368 (2010 – Eur169,880) of which is due for settlement after 12 months. The remaining balances have no fixed date for repayment and the group and the company has an unconditional right to defer settlement of these loans for at least 12 months after the end of the reporting period. The amounts due to related parties are unsecured and interest free.

Derivative financial instruments of Eur402,257 comprise an interest rate swap whereby the company had entered into a contract to swap a floating rate for a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. An amount of Eur187,448 is classified with current liabilities.

The notional principal amounts of the outstanding interest rate swaps, at the end of the reporting period amounted to Eur14,545,455 (2010 – Eur16,363,636).

At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 2.45% (2010 – 2.45%). The floating rate is three-month EURIBOR. The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

24. BANK OVERDRAFT AND LOANS

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Bank overdrafts	**1,492,677**	6,463	**3,462**	2,543
Bank loans	**19,917,883**	16,887,984	**14,545,455**	16,363,636
	21,410,560	16,894,447	**14,548,917**	16,366,179

Bank overdraft and loans are repayable as follows:

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
On demand or within one year	**4,692,485**	1,867,159	**2,427,702**	1,820,725
In the second year	**3,995,341**	2,424,000	**2,424,240**	2,424,000
In the third year	**3,995,341**	2,424,000	**2,424,240**	2,424,000
In the fourth year	**3,544,344**	2,424,000	**2,424,240**	2,424,000
In the fifth year	**2,758,809**	2,424,000	**2,424,240**	2,424,000
After five years	**2,424,240**	5,331,288	**2,424,255**	4,849,454
	21,410,560	16,894,447	**14,548,917**	16,366,179
Less: amount due for settlement within 12 months (shown under current liabilities)	**(4,692,485)**	(1,867,159)	**(2,427,702)**	(1,820,725)
	16,718,075	15,027,288	**12,121,215**	14,545,454

The terms and conditions of the bank borrowings pertaining to the holding company are as follows:

The bank loan of Eur14,545,455 (2009 – Eur16,363,636) with Nordea Bank Finland Plc which bears interest at adjusted 3m EURIBOR +2% (2010 – 1.5%). The loan is secured by a pledge agreement between the bank and the company, together with pledges over the Baltic subsidiaries' shares and a pledge over the subsidiaries' immovable and movable property. During 2009 the company entered into an interest rate swap whereby the company pays a fixed rate of interest of 2.45% over the principal and receives a floating rate of EURIBOR +3 months.

The remaining bank borrowings pertain to the company's subsidiaries and the terms and conditions are as follows:

i. The bank loan with AS DnB Nord Banca for the amount of Eur2,254,985 bears interest at 6m EURIBOR +3.75%. This loan was concluded in 2011 and has been granted for the acquisition and construction of McDonald's restaurants in Latvia. The loan is secured by the property acquired and buildings constructed;

ii. A loan of Eur627,571 was granted to the group's subsidiary in Latvia to acquire property for administrative purposes. This loan bears interest at 1m EURIBOR +0.9%. The loan is secured by the property itself and is also guaranteed by another group company;

iii. In May 2011, the group's subsidiary in Lithuania obtained bank finance from Swedbank AB for the acquisition and the development of restaurants in Lithuania. The amount outstanding as at the end of the reporting period is of Eur2,489,872 and is subject to interest at 1m EURIBOR +3.35%. The loan is secured by land and buildings being acquired by the subsidiary through this loan;

iv. The bank overdraft facility of Eur2,000,000 (2010 – Eur1,000,000) bears interest at 250 basis point over the bank's base rate, presently 2.5% (2010: 2.5%) per annum. This

24. BANK OVERDRAFT AND LOANS (CONTINUED)

facility is secured by a first general hypothec over the assets of a subsidiary company, over those of related companies, as well as by guarantees provided by shareholders and related companies together with pledges on various insurance policies. This facility is subject to an 18 month temporary excess of Eur1,000,000.

25. DEBT SECURITIES IN ISSUE

	2011 Eur	2010 Eur
6.8% bonds redeemable 2017-2020	**24,522,262**	24,464,357

In April 2010 the company issued 250,000 6.8% bonds of a nominal value of Eur100 per bond. The bonds are redeemable at their nominal value on 15 March 2020, subject to the issuer's option to redeem all or any part of the Bonds on any of the designated early redemption dates. The latter fall on any date between 16 March 2017 and 14 March 2020 as the Issuer may determine by giving thirty days prior notice to the Bondholders.

Interest on the bonds is due and payable annually on 15 March of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of Eur477,738 which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was Eur25,652,500.

26. SHARE CAPITAL

	2011 and 2010	
	Authorised Eur	Issued and called up Eur
47,637 ordinary 'A' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
47,637 ordinary 'B' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
47,637 ordinary 'C' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
	14,291,100	13,574,700

Save for the selection of directors in terms of Clause 55 of the Articles of Association of the company, ordinary shares in the company, irrespective of the class to which they belong, shall have equal rights as regards dividends and in all other respects each shareholder shall be entitled to one vote in general meetings for each of such shares held.

27. OTHER EQUITY

GROUP

	Capital contribution Eur	Shareholders' loans for capitalisation Eur	Legal reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2010	10,044,023	2,000,000	124,988	-	12,169,011
Capitalisation	(10,044,023)	(2,000,000)	-	-	(12,044,023)
Loss offset reserve	-	-	-	212,351	212,351
Capital contribution made by parent attributable to non controlling interest	-	-	-	(370,825)	(370,825)
Transfer from retained earnings to legal reserves	-	-	58,629	-	58,629
Balance at 1 January 2011	-	-	183,617	(158,474)	25,143
Movement in legal reserve	-	-	(98,710)	-	(98,710)
Balance at 31 December 2011	-	-	84,907	(158,474)	(73,567)

HOLDING

	Capital contribution Eur	Shareholders' loans for capitalisation Eur	Other reserve Eur	Total Eur
Balance at 1 January 2010	10,044,023	2,000,000	-	12,044,023
Capitalisation	(10,044,023)	(2,000,000)	-	(12,044,023)
Loss offset reserve	-	-	212,351	212,351
Balance at 1 January 2011	-	-	212,351	212,351
Balance at 31 December 2011	-	-	212,351	212,351

The legal reserve represents reserves created by the subsidiaries in Estonia and Lithuania pursuant to the legal requirements in these jurisdictions.

The other reserve represents a cash capital contribution made by the parent company to one of its subsidiaries attributable to non-controlling interests amounting to Eur370,825 and a loss offset reserve amounting to Eur212,351 which represents a reserve for the purpose of offsetting any losses that may be incurred by the company from time to time and was created by a reduction of share capital in 2010.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Cash at bank and on hand	**6,851,156**	6,123,247	**2,677,497**	2,486,915
Bank overdrafts	**(1,492,677)**	(6,463)	**(3,462)**	(2,543)
	5,358,479	6,116,784	**2,674,035**	2,484,372

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2011 was 2% - 3% (2010 – 2% - 3%). The interest rate on bank overdrafts is disclosed in note 24.

29. SIGNIFICANT NON-CASH TRANSACTIONS

During 2010 the company increased its share capital by Eur11,827,670. Part of the increase amounting to Eur500,000 was paid in cash.

The remaining amount was satisfied by the capitalization of shareholders loans advanced in 2009 amounting to Eur2,000,000, and a capitalization of a capital contribution arising in 2009 amounting to Eur10,044,023.

During the year under review there were no significant non-cash transactions.

30. BUSINESS COMBINATIONS

On 1 June 2011, the group acquired 100% interest in McDonald's HELLAS Company Operated Restaurants S.A. (the 'subsidiary') which is a development licensee for McDonalds restaurants in Greece. On the date of acquisition, the subsidiary operated 18 stores in various towns and cities across Greece and the islands. The acquisition is part of the group's strategic expansion plans into new territories.

The transaction involved the transfer by McDonald's of its on-going business activities to a separate company already in existence, referred to as the "spin-off". The spin-off took place on the 1st March 2011 and the spin-off company acquired the rights to operate McDonald's restaurants on a non-exclusive basis in Greece. The ownership of this spin-off company was transferred to Premier Capital p.l.c. on the 1st June 2011. The consolidated financial statements include the results of the subsidiary for the seven month period from the acquisition date.

30. BUSINESS COMBINATIONS (CONTINUED)

CONSIDERATION TRANSFERRED

	Eur
Cash	1,047,63

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition was:

	Eur
Current assets	
Cash and cash equivalents	1,393,074
Trade and other receivables	863,693
Inventories	268,506
Non-current assets	
Property, plant and equipment	5,599,273
Prepayments	901,660
Current liabilities	
Trade and other payables	(2,989,133)
Fair value of net assets acquired	6,037,073

	Eur
Consideration transferred	3,047,661
Less:	
Share Capital injected	(2,000,027)
Retained earnings adjustments	34,259
Fair value of net assets acquired	(6,037,073)
Gain on bargain purchase arising on acquisition recognised as investment income in the statement of comprehensive income	(4,955,180)

Acquisition related costs amounting to Eur201,506 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'other expenses' line item in the consolidated statement of comprehensive income.

In order to enable the transferring party to consolidate its position as franchisor and to incentivise further expansion and investment in the country, the parties agreed that the business' property, plant and equipment would be transferred to the subsidiary at a value which was below the historical net book value at which they were carried in the books of the transferring party.

IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP:

Included in the profit for the period is a loss of Eur494,639 attributable to the newly acquired subsidiary. Revenue for the period includes Eur13,917,352 in respect of the said subsidiary.

Had the acquisition of the subsidiary been effected on 1 January 2011, the revenue of the group from continuing operations for year ended 31 December 2011 would have been Eur80.7 million, and the profit for the year from continuing operations would have been Eur3.5 million.

The directors of the group consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on a yearly basis and to provide a reference point for comparison in future periods.

In determining the pro-forma revenue and profit of the group had the subsidiary been acquired at the beginning of the current reporting period, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the financial statements of the acquired subsidiary.

31. RELATED PARTY DISCLOSURES

Premier Capital p.l.c. is the parent company of the undertakings highlighted in note 18.

During the course of the year, the group and the company entered into transactions with related parties, as set out below.

GROUP

		2011			2010	
	Related party activity Eur	**Total activity Eur**	**%**	**Related party activity Eur**	**Total activity Eur**	**%**
Other operating income						
Related party transactions with:						
Other related parties	**19,320**	**172,516**	**11**	11,267	655,678	2
Administrative expenses:						
Related party transactions with:						
Other related parties	**337,870**			107,187		
Key management personnel	**125,358**			118,513		
	463,228	**7,521,269**	**6**	225,700	5,053,936	4
Finance costs:						
Related party transactions with:						
Other related parties	**9,548**	**2,657,651**	**-**	13,141	2,193,004	1

31. RELATED PARTY DISCLOSURES (CONTINUED)
HOLDING

	2011			2010		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Other operating income:						
Related party transactions with:						
Subsidiaries	2,245,324			1,633,516		
Other related parties	19,320			11,267		
	2,264,644	2,267,469	99.88	1,644,783	1,644,782	100
Administrative expenses:						
Related party transactions with:						
Other related parties	126,440			106,541		
Key management personnel of the company	28,669			22,000		
	155,109	2,144,091	7	128,541	1,676,137	8
Investment income:						
Related party transactions with:						
Subsidiaries	1,904,235			7,608,358		
Other related parties	4,862			76,377		
	1,909,097	1,958,065	97	7,684,735	7,822,343	98
Finance costs:						
Related party transactions with:						
Other related parties	9,548	2,637,708	0.36	13,141	2,582,740	1

No expense has been recognised during the year arising from bad and doubtful debts in respect of amounts due by related parties.

The amounts due from/to related parties at year-end are disclosed in notes 18, 21 and 23. Other than as disclosed in the respective notes, no guarantees have been given or received.

32. OPERATING LEASES

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Minimum lease payments under operating leases recognised as an expense for the year	3,428,583	1,992,812	-	-

The group entered into operating lease agreements for the lease of premises and sub-lease agreements for the lease of land on which the restaurants in the Baltics and Greece are situated. The group is committed to make monthly payments which are partly fixed and partly based on the sales of each particular restaurant.

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2011 Eur	2010 Eur
Within one year	3,068,888	794,269
Between two to five years	10,206,883	3,223,128
Over five years	8,539,681	2,527,550
	21,815,452	6,544,947

33. COMMITMENTS

(i) The subsidiaries operate under franchise agreements ('the Agreement') entered into with McDonald's International Property Company ('the Franchisor'). The franchise agreements are for a period of 20 years which allows the respective company to use the McDonald's system in the restaurants. These franchise agreement stipulate certain financial and non-financial obligations, including but not necessarily limited to, maintaining certain financial ratios, performing marketing and other activities. The subsidiaries are obliged to pay a royalty fee based on their annual net sales of the respective company on an annual basis.

Upon the expiration of these Agreements, the Franchisor shall have the right to purchase all of the equity interest in the Franchisee's McDonald's Restaurant business ("FMRB"). If the Franchisor elects to exercise its right to purchase FMRB, the Purchase price shall be equal to the Fair Market Value, as defined in the Agreement. In the event that the Franchisor does not exercise its right to purchase FMRB, it shall have the right to lease or sublease or purchase, as the case may be, the premises associated with the Restaurants from Franchisee at fair market rental or fair market price, as the case may be.

(ii) At the end of the reporting period the group and the company had the following further capital commitments in respect of property, plant and equipment:

	Group		Holding	
	2011 Eur	2010 Eur	2011 Eur	2010 Eur
Capital expenditure authorised but not contracted for	5,728,000	10,599,432	5,000,000	-

34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At 31 December 2011 and 2010 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value are not materially different from their carrying amounts.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs).

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair value of the company's derivative financial instruments is established by using a valuation technique. Valuation techniques comprise discounted cash flow analysis. The valuation technique is consistent with generally accepted economic methodologies for pricing financial instruments.

The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at end of the reporting period and the credit risk inherent in the contract.

34. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur
Financial assets at fair value through profit or loss				
Financial assets designated				
as at fair value through profit or loss upon initial recognition				
- local listed equity instruments				
As at 31.12.2010	989,997	-	-	989,997
As at 31.12.2011	-	-	-	-

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur
Financial liabilities at fair value through profit or loss				
Financial liabilities held				
for trading				
- derivative financial instruments				
As at 31.12.2010	-	315,764	-	315,764
As at 31.12.2011	-	402,257	-	402,257

35. FINANCIAL RISK MANAGEMENT

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

Where possible, the group aims to reduce and control risk concentrations of financial risk areas when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

CREDIT RISK

Financial assets which potentially subject the group to concentrations of credit risk, consist principally of receivables, investments and cash at bank. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Investments are acquired after

assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

CURRENCY RISK

Foreign currency transactions arise when the group buys or sells goods or services whose price is denominated in foreign currency, borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency or acquires or disposes of assets, or incurs or settles liabilities, denominated in foreign currency.

Foreign currency transactions comprise mainly transactions entered into by the subsidiaries in Latvian Lats and Lithuanian Litas.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

CURRENCY RISK (CONTINUED)

The risk arising from foreign currency transactions entered into by the company's subsidiaries in their local currency is mitigated by the fact that such currency has joined the Exchange Rate Mechanism (ERM II) as follows:

The Latvian Lats joined the Exchange Rate Mechanism (ERM II) on 2 May 2005, and observes a central rate of 0.702804 to the Euro with standard fluctuation margins of +/- 15%. However, Latvia unilaterally maintains a 1% fluctuation band around the central rate.

The Lithuanian Litas joined the Exchange Rate Mechanism (ERM II) on 28 June 2004, and observes a central rate of 3.45280 to the Euro with standard fluctuation margins of +/- 15%.

INTEREST RATE RISK

The group has taken out bank and other facilities to finance its operations as disclosed in notes 24 and 25. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The effective interest rate on loans and receivables, other financial liabilities, and bank borrowings are disclosed in notes 18, 24 and 25 respectively.

The group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate. Investments in equity instruments are not exposed to interest rate risk.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices or by restructuring its financing structure. The group uses interest rate swaps to hedge its exposure arising from interest rates bank loans.

The carrying amounts of the group's financial instruments carrying a rate of interest at the reporting date are disclosed in the notes to the financial statements.

SENSITIVITY ANALYSIS

For financial instruments issued, the group has used a sensitivity analysis technique that measures the change in the cash flows of the group's financial instruments at the reporting date for hypothetical changes in the relevant market risk variables. The sensitivity of profit or loss due to changes in the relevant risk variables are set out below.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

The methods and assumptions used are the same as those applied in the previous reporting period.

The estimated change in cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 50 basis points at the reporting date, with all other variables remaining constant.

The sensitivity of the relevant risk variables is as follows:

	Profit and Loss Sensitivity	
	2011 Eur	**2010 Eur**
Market interest rates - cash flow	+/- 34,308	+/- 2,622

The sensitivity on profit or loss in respect of market interest rates is mainly attributable to bank loans. The sensitivity to interest rates of the company is not materially different to that of the group.

LIQUIDITY RISK

The group monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The group is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which compromise principally trade and other payables, other financial liabilities and interest-bearing borrowings (refer to notes 22, 23, 24 and 25). 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.

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

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the group can be required to pay. The analysis includes both interest and principal cash flows.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

GROUP

	On demand or within 1 year Eur	2 years Eur	3 years Eur	4 years Eur	After 5 years Eur	Total Eur
2011						
Non-derivative financial liabilities						
Non-interest bearing	9,398,095	-	-	-	-	9,398,095
Variable rate instruments	4,611,644	4,481,959	2,868,055	2,742,537	5,146,435	19,850,630
Fixed rate instruments	2,702,957	3,468,665	3,403,198	2,886,734	27,405,502	39,867,056
	16,712,696	7,950,624	6,271,253	5,629,271	32,551,937	69,115,781
2010						
Non-derivative financial liabilities						
Non-interest bearing	8,628,620	-	-	-	-	8,628,620
Variable rate instruments	2,268,365	2,807,577	2,739,256	2,670,935	7,731,042	18,217,175
Fixed rate instruments	1,803,368	1,803,368	1,768,912	1,700,000	28,754,000	35,829,648
	12,700,353	4,610,945	4,508,168	4,370,935	36,485,042	62,675,443

HOLDING

	On demand or within 1 year Eur	2 years Eur	3 years Eur	4 years Eur	After 5 years Eur	Total Eur
2011						
Non-derivative financial liabilities						
Non-interest bearing	1,513,638	-	-	-	-	1,513,638
Variable rate instruments	3,075,154	2,955,767	2,845,866	2,735,141	5,146,435	16,758,363
Fixed rate instruments	1,700,000	1,700,000	1,700,000	1,700,000	27,054,000	33,854,000
	6,288,792	4,655,767	4,545,866	4,435,141	32,200,435	52,126,001
2010						
Non-derivative financial liabilities						
Non-interest bearing	1,950,060	-	-	-	-	1,950,060
Variable rate instruments	2,268,365	2,807,577	2,739,256	2,670,935	7,731,142	18,217,275
Fixed rate instruments	1,803,368	1,803,368	1,768,912	1,700,000	28,754,000	35,829,648
	6,021,793	4,610,945	4,508,168	4,370,935	36,485,142	55,996,983

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

The company does not use derivative financial instruments for speculative purposes.

The company uses interest rate swaps to convert a proportion of its floating rate debt to fixed rates.

During the year under review and during the prior year, the company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's and the group's ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

Their capital structure consists of items presented within equity in the statement of financial position.

The company's directors manage the capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company and the group balance their overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

The overall strategy remains unchanged from the prior year.

36. EVENTS AFTER THE REPORTING PERIOD

On the 28 February 2012 the Court of Appeal (Superior Jurisdiction), upheld an earlier decision of the First Hall of the Civil Court, ordering the eviction of Arcades Limited, a jointly controlled entity of the group, of part of the premises operated as the McDonald's restaurant in Republic Street Valletta. The judgement had no impact on any of the operations undertaken by other companies' within the group, neither did it have an impact on the operating licence of the jointly controlled entity.

It is the group's intention to retain a presence in Valetta and has since commenced seeking alternative sites with a view to securing an appropriate alternative.

Deloitte.

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Independent auditor's report
to the members of

Premier Capital p.l.c

Report on the financial statements

We have audited the accompanying financial statements of Premier Capital p.l.c. and its group set out on pages ten to seventy-six, which comprise the statements of financial position of the company and the group as at 31 December 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the company and the group 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 fully in the statement of directors' responsibilities on page five, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Chap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 company's and the group's preparation of the financial statements 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 internal control of the company and the group. 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.

Deloitte.

Independent auditor's report
to the members of

Premier Capital p.l.c

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2011 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the requirements of the Companies Act (Chap. 386).

Paul Darmanin as Principal
in the name and on behalf of
DELOITTE
Registered auditor

16 April 2012


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Schedules

I | Detailed profit and loss account
II | Cost of sales
III | Distribution costs
IV | Administrative expenses

These schedules do not form part
of the statutory financial statements.

SCHEDULE I

	Schedule	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Revenue		**72,652,250**	51,695,336	**-**	-
Cost of sales	II	**(24,982,964)**	(17,609,386)	**-**	-
Gross profit/(loss)		**47,669,286**	34,085,950	**-**	-
Other operating income		**172,516**	655,678	**2,267,469**	1,644,782
Distribution costs	III	**(38,407,764)**	(27,537,256)	**-**	-
Administrative expenses	IV	**(7,521,269)**	(5,053,936)	**(2,144,091)**	(1,676,137)
Net operating (expenses)/income		**(45,756,517)**	(31,935,514)	**123,378**	(31,355)
Operating profit/(loss)		**1,912,769**	2,150,436	**123,378**	(31,355)

SCHEDULE II

	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Stock movement	**(98,754)**	(63,316)	**-**	-
Purchases	**25,081,718**	17,672,702	**-**	-
	24,982,964	17,609,386	**-**	-

SCHEDULE III

	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Advertising	**3,800,058**	2,805,844	**-**	-
Depreciation and amortisation	**3,357,174**	2,561,970	**-**	-
Maintenance and repair	**817,700**	576,292	**-**	-
Other distribution costs	**475,641**	398,540	**-**	-
HR & related expenses	**324,161**	330,976	**-**	-
Outside services and operating supplies	**1,622,087**	1,191,826	**-**	-
Wages and salaries	**17,896,717**	12,324,008	**-**	-
Rent expenses	**3,428,583**	1,992,812	**-**	-
Royalties	**3,663,159**	3,070,907	**-**	-
Utilities and telephone expenses	**3,022,484**	2,284,081	**-**	-
Total distribution costs	**38,407,764**	27,537,256	**-**	-

SCHEDULE IV

	Group 2011 Eur	2010 Eur	Holding 2011 Eur	2010 Eur
Audit fee	**102,600**	84,760	**18,000**	16,500
Bank charges	**125,004**	125,544	**-**	-
Charity	**18,725**	38,592	**125**	10,000
Cleaning expenses	**967**	1,343	**967**	1,343
Computer expenses	**6,290**	24,372	**6,290**	1,695
Depreciation	**964,499**	718,545	**637,228**	626,780
Difference on exchange	**-**	24,902	**-**	-
Director's emoluments	**125,358**	118,513	**28,669**	22,000
Entertainment	**9,486**	9,301	**9,486**	9,301
General expenses	**1,027,878**	469,958	**19,516**	18,997
Insurance	**223,845**	129,319	**18,819**	11,265
Inventory write-downs	**-**	-	**-**	-
Legal and professional fees	**516,433**	292,354	**99,442**	54,687
Loss on disposal of fixed assets	**41,955**	12,369	**-**	-
Licenses and fees	**23,370**	23,324	**-**	-
Motor vehicle expenses	**195,147**	106,608	**4,236**	645
Printing, postage and office supplies	**51,551**	62,996	**2,864**	6,275
Real estate tax	**4,286**	-	**-**	-
Registration fee	**1,570**	870	**1,400**	870
Rental and distribution costs	**453,244**	159,057	**126,440**	107,187
Repairs and maintenance	**7,422**	1,226	**4,543**	1,226
Staff training	**75,770**	28,477	**26,672**	7,536
Subscriptions	**1,620**	2,099	**-**	-
Telecommunication expenses	**80,151**	46,030	**16,699**	9,930
Travelling	**562,251**	386,009	**227,113**	169,824
Wages and salaries	**2,733,174**	2,164,520	**887,372**	592,899
Utilities	**168,674**	22,848	**8,210**	7,177
	7,521,269	5,053,936	**2,144,091**	1,676,137


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31 DECEMBER 2011