



Report and group financial statements

31 December 2012



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Directors, officer and other information

<i>Directors:</i>	Marin Hili Carmelo Hili (<i>sive</i>) Melo Richard Abdilla Castillo Charles J. Farrugia Dr. Ann Fenech (appointed 14 March 2012) Massimiliano Lupica (appointed 21 March 2013) Bertrand Attard (appointed 21 March 2013)
<i>Secretary:</i>	Ms. Julia Simonsson (appointed 15 February 2013)
<i>Registered office:</i>	Nineteen Twenty Three, Valletta Road, Marsa, Malta.
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	C 36522
<i>Auditor:</i>	Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel, Malta.
<i>Principal bankers:</i>	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. AS DNB Banka, Skanstes Street 12, Riga, LV-1013, Latvia.

Directors' report

Year ended 31 December 2012

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2012.

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 689,000* (2011 – *Eur1,912,769*) on revenue of *Eur83,106,554* (2011 – *Eur72,652,250*). After accounting for investment income and finance costs together with other non-operational expenses, the group registered a pre-tax profit of *Eur1,937,662* (2011 – *Eur3,055,121*).

The group's net assets for the year under review amounted to *Eur 16,372,774* (2011 – *Eur16,084,078*).

During the year under review, the company registered an operating loss of *Eur420,890* (2011 – *Operating profit of Eur123,378*). After accounting for investment income and finance costs, the company registered a pre-tax profit of *Eur1,282,478* (2011 – *Loss of Eur563,763*). The net assets of the company at the end of the year under review amounted to *Eur15,892,240* (2011 – *Eur14,436,279*).

Following the group's success in the development of the McDonald's business in Malta, Latvia, Lithuania and Estonia, in 2011 the group continued to expand its portfolio by taking over 17 restaurants in Greece. Notwithstanding the challenges the Greek market currently presents, the group firmly believes that as the market recovers over the medium to long term (in line with Greece's economic recovery plan) there will be significant opportunity to grow the business in Greece both within existing and new restaurants.

On the development front, in 2012 the group commenced the process of remodelling restaurants in Greece. Over the year five restaurants were remodelled in Greece with a total investment of *Eur 1,253,403*. During the year under review, the group also opened a new restaurant in Latvia, thus bringing the total number of stores in Latvia to 11. Development of another site within the Latvian market was also commenced in 2012 and this restaurant opened its doors to the public on the 26 February 2013. During this same year 3 restaurant remodels were carried out in the Baltics with a total investment of *Eur 2,505,805*. Development activity was also undertaken in Malta, where the group secured a new site for the development of a flagship store in Sliema and also signed a lease agreement for a second site located just outside Naxxar. The Sliema restaurant is due to open in May 2013.

Directors' report (continued)

Year ended 31 December 2012

Performance review (continued)

The group's expansion strategy in 2012 did not only focus on remodelling and opening new restaurants, as on the 1 May 2012, SIA Premier Restaurants (the group's subsidiary in Latvia), took over the Baltic Distribution Centre and the related operation. This outfit handles all the logistics requirements of the 30 restaurants which the group operates in these 3 countries. The setup was taken over from SIA HAVI Logistics and this move has allowed the restaurants in the Baltics to benefit from increased efficiency leading to cost savings.

Improvements in gross profit brought along by the takeover of the Distribution Centre, were diluted with the effect of rising raw material prices driven by growing demand and general global economic volatility. These increases have put pressure on the business of the group. Increases in operating costs such as wages and utilities have impacted the operating results of the group. Notwithstanding these pressures and the negative contribution generated by the Greece operation, the group maintained its EBITDA at *Eur6,078,385* (*Eur6,079,265* in 2011).

The outlook for the Maltese and Baltic markets remains positive and both markets are expected to continue their positive trend in 2013. This should help further bolster the strength of the Brand and its leadership status in these markets. The investment in new Stores in Greece, should allow for improved performance in this market too. A concentrated effort has also been made to address costs across all markets. This has been especially rigorous in Greece where costs have been brought down to a minimum.

On the 31 December 2012, the group divested itself of the holding it had in the Baltics Estates companies which had been set up in the Baltic countries. The sale was made to enable management of Premier Capital plc. to focus entirely on the McDonald's restaurant business and not on real estate development. The sale has not in any way jeopardised the lease agreements already in place with the respective Estates companies in the Baltics, and all these lease agreements will remain in force under the same terms and conditions.

Results and dividends

The results for the year ended 31 December 2012 are shown in the statements of comprehensive income on page eleven. The group's profit for the year after taxation was *Eur2,210,382* (2011 – *Eur2,601,090*), whilst the company's profit for the year after taxation was *Eur1,455,960* (2011 – *Loss of Eur386,100*). The directors do not recommend the payment of a dividend.

Directors' report (continued)

Year ended 31 December 2012

Directors

The directors who served during the period were:

Marin Hili (Chairman)

Bertrand Attard (appointed 21 March 2013) – Chief Executive Officer

Carmelo Hili (*sive*) Melo (Chief Executive Officer until 21 March 2013)

Joseph Hili (*sive*) Beppe (resigned 8 February 2013)

Richard Abdilla Castillo

Charles J. Farrugia

Dr. Ann Fenech (appointed 14 March 2012)

Massimiliano Lupica (appointed 21 March 2013)

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 auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on its behalf on 25 April 2013 by:



Richard Abdilla Castillo
Director



Melo Hili
Director

Statement of directors' responsibilities

Year ended 31 December 2012

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 2012 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
Director

Corporate governance statement

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 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 seven Members, three of which are completely independent from the company or any other related companies.

Mr Charles Farrugia, Dr Ann Fenech and Mr Massimiliano Lupica are independent non-executive directors of the company

Executive Director

Bertrand Attard (appointed 21 March 2013) – Chief Executive Officer

Non-Executive Directors

Marin Hili (Chairman)

Carmelo Hili (*sive*) Melo (Chief Executive Officer until 21 March 2013)

Joseph Hili (*sive*) Beppe (resigned 8 February 2013)

Richard Abdilla Castillo

Charles J. Farrugia

Dr. Ann Fenech (appointed 14 March 2012)

Massimiliano Lupica (appointed 21 March 2013)

Corporate governance statement (continued)

The Board of Directors (continued)

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.

The remuneration of the board is reviewed periodically by the shareholders of the company.

The company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

The directors are fully aware of their duties and obligations, and whenever a conflict of interest in decision making arises, they refrain from participating in such decisions.

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 (Chairman)
Mr Carmelo *sive* Melo Hili
Mr Charles J. Farrugia

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 five times during the year 2012. 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.

Corporate governance statement (continued)

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 'Mc Happy 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.

Corporate governance statement (continued)

Corporate Social Responsibility (continued)

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 (the group's subsidiary in Malta) has also 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.

Relations with the market

The market is kept up to date with all relevant information, and the company regularly publishes such information on its website to ensure consistent relations with the market.

Non-compliance with the code

Principle 7: Evaluation of the board's performance

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

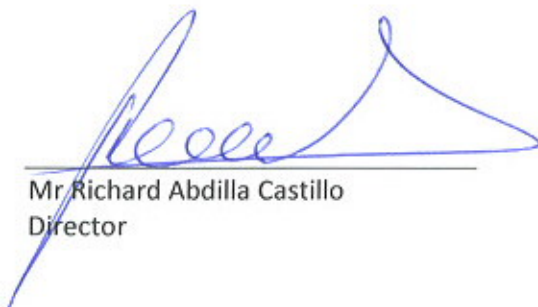
Principle 8: Committees

Under the present circumstances the board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level.


Principle 10: Institutional shareholders,

This principle is not applicable since the company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 25 April, 2013 by:



Mr Richard Abdilla Castillo
Director



Mr Carmelo sive Melo Hili
Director

Independent auditor's report on corporate governance statement 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 included in the annual financial report.

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 6 to 9 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.



Annabelle Zammit Pace as Principal
in the name and on behalf of
Deloitte Audit Limited
Registered auditor

25 April 2013

Statements of comprehensive income

Year ended 31 December 2012

	Notes	2012 Eur	Group 2011 Eur	2012 Eur	Holding 2011 Eur
Revenue	5	83,106,554	72,652,250	-	-
Cost of sales		(27,386,754)	(24,982,964)	-	-
Gross profit		55,719,800	47,669,286	-	-
Other operating income	6	67,859	172,516	1,997,805	2,267,469
Selling and distribution expenses		(46,455,108)	(38,407,764)	-	-
Administrative expenses		(8,643,551)	(7,521,269)	(2,418,695)	(2,144,091)
Operating profit/(loss)		689,000	1,912,769	(420,890)	123,378
Other expenses		(94,458)	(201,506)	-	-
Investment income	7	4,165,306	5,009,007	4,018,980	1,958,065
Investment losses	8	-	(1,007,498)	-	(7,498)
Finance costs	9	(2,822,186)	(2,657,651)	(2,315,612)	(2,637,708)
Profit/(loss) before tax	10	1,937,662	3,055,121	1,282,478	(563,763)
Income tax credit/(expense)	13	272,720	(454,031)	173,483	177,663
Profit/(loss) for the year		2,210,382	2,601,090	1,455,961	(386,100)
Total comprehensive income/(loss) for the year		2,210,382	2,601,090	1,455,961	(386,100)
<i>Attributable to:</i>					
Owners of the company		1,710,781	2,735,198		
Non controlling interest who are also owners of the company		186,379	(49,871)		
Other non controlling interest		313,222	(84,237)		
		2,210,382	2,601,090		

Statements of financial position

31 December 2012

	Notes	2012 Eur	Group 2011 Eur	2012 Eur	Holding 2011 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	16,591,999	14,606,999	-	-
Intangible assets	15	9,823,184	10,348,455	9,300,633	9,808,101
Property, plant and equipment	16	27,692,853	35,773,992	118,148	142,816
Investment in subsidiaries	18	-	-	28,501,209	27,756,791
Loans and receivables	18	-	-	1,590,000	11,401,095
Deferred tax assets	17	2,129,233	1,863,239	1,685,731	1,742,480
Prepayments	19	2,050,665	1,646,043	-	-
		<u>58,287,934</u>	<u>64,238,728</u>	<u>41,195,721</u>	<u>50,851,283</u>
Current assets					
Inventories	20	2,264,804	1,265,946	-	-
Loans and receivables	18	4,854,057	293,378	4,804,646	1,587,029
Trade and other receivables	21	4,613,417	1,378,056	3,212,689	2,264,654
Current tax asset		578,542	1,888,540	511,537	1,699,259
Cash and cash equivalents	28	2,843,999	6,851,156	307,371	2,677,497
		<u>15,154,819</u>	<u>11,677,076</u>	<u>8,836,243</u>	<u>8,228,439</u>
Total assets		<u>73,442,753</u>	<u>75,915,804</u>	<u>50,031,964</u>	<u>59,079,722</u>
Current liabilities					
Trade and other payables	22	11,836,032	9,631,131	1,564,536	1,513,638
Other financial liabilities	23	1,355,462	254,212	1,725,851	377,479
Bank overdrafts and loans	24	2,904,550	4,692,485	-	2,427,702
Current tax liabilities		47,065	-	-	-
		<u>16,143,109</u>	<u>14,577,828</u>	<u>3,290,387</u>	<u>4,318,819</u>
Non-current liabilities					
Bank loans	24	12,916,934	16,718,075	-	12,121,215
Debt securities in issue	25	24,315,771	24,522,262	24,315,771	24,522,262
Other financial liabilities	23	55,815	185,009	3,364,290	281,639
Deferred tax liabilities	17	3,638,350	3,828,552	3,169,276	3,399,508
		<u>40,926,870</u>	<u>45,253,898</u>	<u>30,849,337</u>	<u>40,324,624</u>
Total liabilities		<u>57,069,979</u>	<u>59,831,726</u>	<u>34,139,724</u>	<u>44,643,443</u>
Net assets		<u>16,372,774</u>	<u>16,084,078</u>	<u>15,892,240</u>	<u>14,436,279</u>

Statements of financial position (continued)

31 December 2012

	Notes	2012 Eur	Group 2011 Eur	2012 Eur	Holding 2011 Eur
EQUITY					
Share capital	26	13,574,700	13,574,700	13,574,700	13,574,700
Exchange translation reserves		11,725	8,048	-	-
Other equity	27	(1,420,782)	(73,567)	212,351	212,351
Retained earnings		<u>3,794,866</u>	<u>2,096,949</u>	<u>2,105,189</u>	<u>649,228</u>
Equity attributable to owners of the company		15,960,509	15,606,130	15,892,240	14,436,279
Non controlling interest		<u>412,265</u>	<u>477,948</u>	-	-
Total equity		<u>16,372,774</u>	<u>16,084,078</u>	<u>15,892,240</u>	<u>14,436,279</u>

These financial statements were approved by the board of directors, authorised for issue on 25 April 2013 and signed on its behalf by:



Richard Abdilla Castillo
Director



Melo Hili
Director

Statements of changes in equity
Year ended 31 December 2012

Group

	Share capital		Exchange translation reserve		Other equity		Retained earnings		Attributable to owners of the parent		Non-controlling interest		Total	
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
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)							(650,000)
Exchange differences on translation of foreign operations	-	(258)	-	-	(258)	-	(258)							(258)
Movement in legal reserve	-	-	(98,710)	98,710	-	-	-							-
Pre-acquisition reserves	-	-	-	11,516	11,516	-	11,516							11,516
Total comprehensive income/(expense) for the year	-	-	-	2,735,198	2,735,198	(134,108)	2,601,090							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							16,084,078
Balance at 1 January 2012	13,574,700	8,048	(73,567)	2,096,949	15,606,130	477,948	16,084,078							16,084,078
Exchange differences on translation of foreign operations	-	3,677	-	-	3,677	-	3,677							3,677
Movement in legal reserve	-	-	12,864	(12,864)	-	-	-							-
Movement in equity from business combination	-	-	-	-	-	-	-							-
Effect of acquisition of part of non-controlling interest (note 18a)	-	-	(1,360,079)	-	(1,360,079)	(613,421)	(1,973,500)							(1,973,500)
Total comprehensive income for the year	-	-	-	1,710,781	1,710,781	499,601	2,210,382							2,210,382
Balance at 31 December 2012	13,574,700	11,725	(1,420,782)	3,794,866	15,960,509	412,265	16,372,774							16,372,774

Statements of changes in equity (continued)

Year ended 31 December 2012

Holding company

	Share capital Eur	Retained earnings Eur	Other equity Eur	Total Eur
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 1 January 2012	<u>13,574,700</u>	<u>649,228</u>	<u>212,351</u>	<u>14,436,279</u>
Profit for the year	-	1,455,961	-	1,455,961
Balance at 31 December 2012	<u><u>13,574,700</u></u>	<u><u>2,105,189</u></u>	<u><u>212,351</u></u>	<u><u>15,892,240</u></u>

Statements of cash flows

Year ended 31 December 2012

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Cash flows from operating activities				
Profit/(loss) before tax	1,937,662	3,055,121	1,282,477	(563,763)
<i>Adjustments for:</i>				
Depreciation and amortisation	5,483,843	4,354,041	664,987	637,228
Loss on disposal of property, plant and equipment	5,308	81,825	-	-
Tangible assets write-offs	235,553	-	-	-
Interest expense	2,733,248	2,513,251	2,226,674	2,425,859
Interest income	(54,564)	(53,827)	(546,525)	(614,413)
Amortisation of bond issue expenses	57,907	57,907	57,907	57,907
Revaluation of interest rate swap	(41,277)	86,493	(41,277)	86,493
Investment losses	-	7,498	-	7,498
(Reversal of)/Provision for impairment	(1,487,000)	1,000,000	-	-
Gain on business combination	(734,955)	-	-	-
Dividend Income from subsidiaries	-	-	(1,701,538)	(1,000,000)
Gain on disposal of investment in subsidiary	(1,888,787)	-	(1,770,918)	-
Bargain purchase gain on business combination	-	(4,955,180)	-	-
Operating profit before working capital movement	6,246,938	6,147,129	171,787	1,036,809
Movement in inventories	(991,348)	169,752	-	-
Movement in trade and other receivables	(1,366,362)	85,020	(67,257)	1,721,201
Movement in trade and other payables	1,957,982	(818,377)	50,898	45,826
Cash flows from operations	5,847,210	5,583,524	155,428	2,803,836
Interest paid	(2,823,796)	(2,446,600)	(2,211,417)	(2,359,208)
Income tax refund/(paid)	1,227,160	(892,135)	1,699,259	125,560
<i>Net cash flows from operating activities</i>	4,250,574	2,244,789	(356,730)	570,188
Cash flows from investing activities				
Purchase of property, plant and equipment	(6,722,917)	(6,643,889)	(16,933)	(127,399)
Proceeds from sale of property, plant and equipment	-	126,574	-	-
Purchase of intangible assets	(84,605)	(123,389)	(115,918)	-
Purchase of investment in subsidiary	(161,184)	-	(161,184)	(3,287,617)
Proceeds from sale of financial assets at fair value through profit or loss	-	982,499	-	982,499
Settlement of loans and receivables	-	-	1,384,920	3,977,657
Advances of loans and receivables	-	-	(2,985,928)	(926,014)
Interest received	54,564	53,827	525,224	614,413
Dividends Received	-	-	-	1,000,000
Net cash inflow/(outflows) on business combination	(127,992)	345,440	-	-
<i>Net cash flows from investing activities</i>	(7,042,134)	(5,258,938)	(1,369,819)	2,233,539
Cash flows from financing activities				
Re-purchase of own bonds	(275,603)	-	(275,603)	-
Repayment of bank borrowings	(14,745,455)	3,029,899	(606,061)	(1,818,181)
Drawdowns from bank facilities	15,146,516	-	-	-
Repayments to related parties	(565,428)	-	(230,068)	(156,125)
Advances from related parties	-	725,945	471,617	10,242
Dividends paid	-	(1,500,000)	-	(650,000)
<i>Net cash flows from financing activities</i>	(439,970)	2,255,844	(640,115)	(2,614,064)
Net movement in cash and cash equivalents	(3,231,530)	(758,305)	(2,366,664)	189,663
Cash and cash equivalents at the beginning of the year	5,358,479	6,116,784	2,674,035	2,484,372
Cash and cash equivalents at the end of the year (note 28)	2,126,949	5,358,479	307,371	2,674,035

Notes to the financial statements

31 December 2012

1. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss 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. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

2. Significant accounting policies (continued)*Business combinations (continued)*

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.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts previously recognised in other comprehensive income in relation to the acquiree are accounted for in the same manner as would be required if the interest were disposed of.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the holding company.

Where the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2. Significant accounting policies (continued)

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.

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.

Investments 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.

Notes to the financial statements

31 December 2017

2. Significant accounting policies (continued)

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, commences when the assets are available for use.

Notes to the financial statements

31 December 2012

2. Significant accounting policies (continued)

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 <i>in line with lease expiry</i>
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.

Notes to the financial statements

31 December 2012

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.

Notes to the financial statements

31 December 2017

2. Significant accounting policies (continued)

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 unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. 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.

Notes to the financial statements

31 December 2012

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Investments (continued)

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.

(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.

Notes to the financial statements

31 December 2017

2. Significant accounting policies (continued)

Other financial instruments (continued)

(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 reflects 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.

Notes to the financial statements

31 December 2012

2. Significant accounting policies (continued)

Impairment

All assets are tested for impairment except for deferred tax assets, financial assets at fair value through profit or loss 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.

Goodwill, 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.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty) or a breach of contract or it becoming probable that the borrower will enter bankruptcy or other financial reorganization or the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the company would not otherwise consider.

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.

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.

Notes to the financial statements

31 December 2017

2. Significant accounting policies (continued)

Impairment (continued)

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.

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.

Recognition of revenue and income

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:

(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.

Notes to the financial statements

31 December 2012

2. Significant accounting policies (continued)

Recognition of revenue and income (continued)

(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 inception 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.

Notes to the financial statements

31 December 2012

2. Significant accounting policies (continued)

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 current or 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 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.

2. Significant accounting policies (continued)*Taxation (continued)*

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 respective entities' 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.

2. Significant accounting policies (continued)*Currency translation (continued)*

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.

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.

Notes to the financial statements

31 December 2012

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. The company reviews intangible assets and investments in subsidiaries to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. At the year-end there was no objective evidence of impairment in this respect.

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 majority of the carrying amount of goodwill amounting to Eur 14,606,999 had been allocated to the Malta operation of Premier Restaurants Malta Limited. The remaining goodwill amounting to Eur 1,985,000 arises on a business combination in connection with Arcades Limited (previously a jointly controlled entity becoming a subsidiary in 2012 (note 30)).

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 2022 and projection of terminal value using the perpetuity method;
- growth rate of 3%; and

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3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- use of 11.56% (pre-tax) to discount the projected cash flows to net present values.

Given the nature of the products sold and the nature of the industry a period longer than 5 years was considered to be acceptable.

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. International Financial Reporting Standards in issue but not yet effective

At the date of approval of these financial statements, a number of International Financial Reporting Standards were in issue but not yet effective.

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, an entity choosing to measure a liability at fair value will generally 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 or after 1 January 2015. This Standard has not as yet been endorsed by the European Union.

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 or after 1 January 2014 for companies preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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.

4. International Financial Reporting Standards in issue but not yet effective (continued)

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 or after 1 January 2014 for companies preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 or after 1 January 2014 for companies preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 or after 1 January 2014 for companies preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 or after 1 January 2014 for companies preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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 or after 1 January 2013.

IAS 1 (Amendments) - 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 or after 1 July 2012.

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4. International Financial Reporting Standards in issue but not yet effective (continued)

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 or 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 or the Group in the period of initial application.

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5. Segment information

The group operates one business activity which is the operation of the McDonald's restaurant business which activities are licensed under the terms of the 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 requires local resources. All inter segment transfers for management services are carried out on a 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 McDonald's 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:

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5. Segment information (continued)

Profit or loss

	2012	2011
	Eur	Eur
Total profit for reportable segments	2,213,801	730,980
Elimination of inter segment profits	(1,547,818)	(874,674)
Unallocated amounts:		
Other unallocated amounts	1,271,679	3,198,815
	<u>1,937,662</u>	<u>3,055,121</u>

Assets

	2012	2011
	Eur	Eur
Total assets for reportable segments	46,763,154	39,521,784
Elimination of receivables	(11,445,737)	(5,205,743)
Unallocated amounts:		
Intangible assets	9,148,067	9,757,943
Loans and receivables	9,394,646	12,644,473
Goodwill	16,591,999	14,606,999
Other unallocated amounts	2,990,624	4,590,348
	<u>73,442,753</u>	<u>75,915,804</u>

Liabilities

	2012	2011
	Eur	Eur
Total liabilities for reportable segments	18,809,582	20,987,653
Elimination of payables	(10,986,087)	(14,534,228)
Unallocated amounts:		
Bank loans	15,104,434	19,917,539
Debt Securities in issue	24,315,771	24,522,262
Other segment liabilities	9,826,279	8,938,500
	<u>57,069,979</u>	<u>59,831,726</u>

5. Segment Information (continued)

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

	Estonia 2012 Eur	Greece 2012 Eur	Latvia 2012 Eur	Lithuania 2012 Eur	Malta 2012 Eur	Total 2012 Eur	Unallocated 2012 Eur	Eliminations and Adjustments 2012 Eur	Consolidated 2012 Eur
Continuing operations									
Revenue	15,684,451	18,980,256	16,268,217	13,927,911	18,238,838	83,099,673	6,881	-	83,106,554
Profit/(loss) before tax	938,260	(2,586,423)	619,246	469,239	2,773,479	2,213,801	1,271,679	(1,547,818)	1,937,662
Depreciation and amortisation									
Segment Assets	756,640	1,048,280	796,297	567,765	1,388,451	4,557,432	926,410	-	5,483,843
Capital expenditure	1,178,401	1,527,008	1,663,193	857,869	727,052	5,953,523	895,817		6,849,340
Segment Liabilities	3,998,260	2,794,348	4,265,050	2,150,251	5,601,673	18,809,582	49,246,484	(10,986,087)	57,069,979
Income Tax expense/(credit)	-	(266,887)	166,563	71,910	409,878	381,464	(142,647)	(511,537)	(272,720)

5. Segment Information (continued)

	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
Continuing operations									
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/(loss) 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	787,154	-	4,350,040
Segment Assets	7,156,406	5,643,001	13,241,040	6,118,496	7,362,841	39,521,784	41,599,763	(5,205,743)	75,915,804
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 expense/(credit)	-	(35,436)	106,007	86,706	470,697	627,974	(118,252)	(55,691)	454,031

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6. Other operating income

	Group		Holding	
	2012 Eur	2011 Eur	2012 Eur	2011 Eur
Consultancy fees	19,320	22,145	911,820	970,704
Support services	-	-	1,085,985	1,293,940
Other income	48,539	150,371	-	2,825
	<u>67,859</u>	<u>172,516</u>	<u>1,997,805</u>	<u>2,267,469</u>

7. Investment income

	Group		Holding	
	2012 Eur	2011 Eur	2012 Eur	2011 Eur
Interest income on bank deposits	7,518	32,463	7,518	32,466
Interest income on subsidiary loans	-	-	491,961	904,235
Interest income on related company loans	-	4,862	-	4,862
Other Interest Income	47,046	-	47,046	-
Interest Income on financial assets at fair value through profit or loss	-	16,502	-	16,502
Gain on bargain purchase of business combination (note 30)	-	4,955,180	-	-
Gain on business combination (note 30)	734,955	-	-	-
Gain on disposal of investment in subsidiary (note 31)	1,888,787	-	1,770,918	-
Reversal of provision for impairment	1,487,000	-	-	-
Dividends from investments in subsidiaries	-	-	1,701,537	1,000,000
	<u>4,165,306</u>	<u>5,009,007</u>	<u>4,018,980</u>	<u>1,958,065</u>

8. Investment losses

	Group		Holding	
	2012 Eur	2011 Eur	2012 Eur	2011 Eur
Loss on disposal of financial assets at fair value through profit or loss	-	7,498	-	7,498
Provision for impairment	-	1,000,000	-	-
	<u>-</u>	<u>1,007,498</u>	<u>-</u>	<u>7,498</u>

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9. Finance costs

	2012	Group	2012	Holding
	Eur	2011	Eur	2011
		Eur		Eur
Interest on bank overdraft and loans	786,996	551,820	207,244	531,877
Interest on bonds	1,696,870	1,700,004	1,696,870	1,700,004
Amortisation of bond issue expenses	57,907	57,907	57,907	57,907
Interest on amounts payable to related parties	5,146	9,548	78,324	9,548
Loss for the year on derivative financial instrument	190,236	270,923	190,236	270,923
Other finance costs	85,031	67,449	85,031	67,449
	<u>2,822,186</u>	<u>2,657,651</u>	<u>2,315,612</u>	<u>2,637,708</u>

10. Profit before tax

	2012	Group	2012	Holding
	Eur	2011	Eur	2011
		Eur		Eur
This is stated after charging/ (crediting):				
Depreciation of property, plant and equipment and amortisation of intangible assets	5,483,843	4,354,040	664,987	637,228
Net exchange differences	<u>15,135</u>	<u>-</u>	<u>-</u>	<u>-</u>

The analysis of the amounts that are payable to the auditors and that are required to be disclosed are 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 *Eur35,500* (2011 – *Eur35,500*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur74,750* (2011 – *Eur66,800*). Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to *Eur31,005* (2011 – *Eur40,500*).

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur5,000* (2011 – *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 *Eur24,680* (2011 – *Eur39,650*).

Notes to the financial statements

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11. Key management personnel compensation

	Group and Holding	
	2012	2011
	Eur	Eur
<i>Directors' compensation:</i>		
Short term benefits:		
Salaries and social security contribution	<u>127,102</u>	<u>125,358</u>

12. Staff costs and employee information

	2012	Group	2012	Holding
	Eur	2011	Eur	2011
		Eur		Eur
<i>Staff costs:</i>				
Wages and salaries	20,057,584	16,324,965	962,240	873,054
Social security costs	4,489,596	4,304,926	18,652	14,318
	<u>24,547,180</u>	<u>20,629,891</u>	<u>980,892</u>	<u>887,372</u>

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

	2012	Group	2012	Holding
	Number	2011	Number	2011
		Number		Number
Operations	2,208	2,034	-	-
Administration	138	127	15	13
	<u>2,346</u>	<u>2,161</u>	<u>15</u>	<u>13</u>

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13. Income tax (credit)/expense

	Group		Holding	
	2012 Eur	2011 Eur	2012 Eur	2011 Eur
Current tax expense	183,476	594,462	-	-
Deferred tax credit	(456,196)	(140,431)	(173,483)	(177,663)
	<u>(272,720)</u>	<u>454,031</u>	<u>(173,483)</u>	<u>(177,663)</u>

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

The tax rate used for the 2012 and 2011 reconciliations is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in Malta.

	Group		Holding	
	2012 Eur	2011 Eur	2012 Eur	2011 Eur
Profit/(loss) for the year before tax	<u>1,937,662</u>	<u>3,055,121</u>	<u>1,282,477</u>	<u>(563,763)</u>
Tax at the applicable rate of 35%	<u>678,182</u>	<u>1,069,292</u>	<u>448,867</u>	<u>(197,317)</u>
Tax effect of:				
Non-deductibility of depreciation and amortisation	434,790	281,474	-	-
Effect of reversal of provision for impairment	(520,450)	350,000	-	-
Effect of gain on business combination	(257,234)	-	-	-
Disallowable expenses	184,326	292,662	-	19,654
Permanent differences on sale of fixed assets	-	306,178	-	-
Intra-group dividends	84,000	350,000	(2,529)	-
Effect of different tax rates of subsidiaries	(298,755)	(384,149)	-	-
Profits not chargeable to tax and tax exemptions	(661,075)	(86,706)	(619,821)	-
Gain on bargain purchase	-	(1,734,313)	-	-
Other permanent differences	83,496	9,593	-	-
Income tax (credit)/expense for the year	<u>(272,720)</u>	<u>454,031</u>	<u>(173,483)</u>	<u>(177,663)</u>

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14. Dividends

In respect of the current year, no dividends have been declared or paid. In the prior year, an interim net dividend of *Eur650,000* (*Eur4.79* per ordinary share) was declared and paid. The directors do not recommend the payment of a final dividend.

15. Intangible assets

Group

	Support services licence Eur	Computer software Eur	Acquired rights and franchise fee Eur	Total Eur
Cost				
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 01.01.2012	12,366,964	92,152	650,321	13,109,437
Additions	-	118,511	24,300	142,811
Acquired through business combination	-	-	18,472	18,472
Disposals	-	(2,452)	-	(2,452)
At 31.12.2012	<u>12,366,964</u>	<u>208,211</u>	<u>693,093</u>	<u>13,268,268</u>
Amortisation				
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 01.01.2012	2,473,393	26,180	261,409	2,760,982
Provision for the year	618,351	18,642	31,869	668,862
Acquired through business combination	-	-	15,240	15,240
At 31.12.2012	<u>3,091,744</u>	<u>44,822</u>	<u>308,518</u>	<u>3,445,084</u>
Carrying amount				
At 31.12.2011	<u>9,893,571</u>	<u>65,972</u>	<u>388,912</u>	<u>10,348,455</u>
At 31.12.2012	<u>9,275,220</u>	<u>163,389</u>	<u>384,575</u>	<u>9,823,184</u>

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15. Intangible assets (continued)

Holding company

	Support services licence Eur	Computer software Eur	Assets not yet in use Eur	Total Eur
Cost				
At 01.01.2011	12,197,438	-	-	12,197,438
Additions	-	-	50,158	50,158
At 01.01.2012	12,197,438	-	50,158	12,247,596
Transfers between categories	-	50,158	(50,158)	-
Additions	-	115,918	-	115,918
At 31.12.2012	12,197,438	166,076	-	12,363,514
Amortisation				
At 01.01.2011	1,829,619	-	-	1,829,619
Provision for the year	609,876	-	-	609,876
At 01.01.2012	2,439,495	-	-	2,439,495
Provision for the year	609,876	13,510	-	623,386
At 31.12.2012	3,049,371	13,510	-	3,062,881
Carrying amount				
At 31.12.2011	9,757,943	-	50,158	9,808,101
At 31.12.2012	9,148,067	152,566	-	9,300,633

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

The support services licence with a carrying amount of Eur 9,148,067 will be fully amortised by 2027, and relates to the licence paid to Mc Donald's corporation to operate the Mc Donald's brand in the Baltic countries.

16. Property, Plant and Equipment
Group

Cost	Land and buildings	Improvements to premises	Motor vehicles	Plant and equipment	Other equipment	Total
	Eur	Eur	Eur	Eur	Eur	Eur
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 01.01.2012	25,532,422	8,301,762	317,231	22,736,201	2,298,650	59,186,266
Additions	2,125,816	904,086	43,600	2,488,870	1,144,157	6,706,529
Disposals	(129,520)	(1,238,478)	(32,185)	(778,828)	(420,690)	(2,599,701)
Net acquisitions through business combination	-	873,707	-	579,258	-	1,452,965
Effect of disposal of subsidiary	(10,519,198)	-	-	-	(65,341)	(10,584,539)
At 31.12.2012	17,009,520	8,841,077	328,646	25,025,501	2,956,776	54,161,520
Accumulated depreciation						
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
Released on disposal	-	(505,343)	(20,158)	(1,361,825)	(151,155)	(2,038,481)
At 01.01.2012	7,197,664	4,494,656	183,118	10,637,082	899,754	23,412,274
Provision for the year	994,997	947,974	53,879	1,819,144	998,987	4,814,981
Net acquisitions through business combination	-	708,106	-	427,178	-	1,135,284
Released on disposal	(129,520)	(1,179,566)	(23,361)	(660,594)	(425,509)	(2,418,550)
Effect of disposal of subsidiary	(437,443)	-	-	-	(37,879)	(475,322)
At 31.12.2012	7,625,698	4,971,170	213,636	12,222,810	1,435,353	26,468,667
Carrying amount						
At 31.12.2011	18,334,758	3,807,106	134,113	12,099,119	1,398,896	35,773,992
At 31.12.2012	9,383,822	3,869,907	115,010	12,802,691	1,521,423	27,692,853

No interest has been capitalised by the group during 2012 (2011 – Eur328,021).

The group's property, plant and equipment with a carrying amount of Eur22m (2011 Eur12.4m) have been pledged to secure bank borrowings.

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16. Property, plant and equipment (continued)
Holding

	Motor Vehicles Eur	Furniture, fixtures and other equipment Eur	Total Eur
Cost			
At 01.01.2011	-	110,901	110,901
Additions	50,000	27,241	77,241
At 01.01.2012	50,000	138,142	188,142
Additions	-	16,933	16,933
At 31.12.2012	50,000	155,075	205,075
Accumulated depreciation			
At 01.01.2011	-	17,974	17,974
Provision for the year	-	27,352	27,352
At 01.01.2012	-	45,326	45,326
Provision for the year	10,000	31,601	41,601
At 31.12.2012	10,000	76,927	86,927
Carrying amount			
At 31.12.2011	50,000	92,816	142,816
At 31.12.2012	40,000	78,148	118,148

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17. Deferred taxation

Group	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2011			
<i>Arising on:</i>			
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
	<u>1,843,892</u>	<u>19,347</u>	<u>1,863,239</u>
2012			
<i>Arising on:</i>			
Temporary differences on property plant and equipment	85,731	55,856	141,587
Unused tax losses	1,742,480	245,166	1,987,646
Other differences	35,028	(35,028)	-
	<u>1,863,239</u>	<u>265,994</u>	<u>2,129,233</u>
Deferred tax liabilities			
2011			
<i>Arising on:</i>			
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
	<u>3,949,636</u>	<u>(121,084)</u>	<u>3,828,552</u>
2012			
<i>Arising on:</i>			
Temporary differences on intangible assets	3,399,507	(230,231)	3,169,276
Temporary differences on property plant and equipment	429,045	40,029	469,074
	<u>3,828,552</u>	<u>(190,202)</u>	<u>3,638,350</u>

Deferred tax assets have been recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. The majority of the deferred tax asset arising on unutilised tax losses reverses when dividends are declared from the subsidiaries. The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised, amounts to Eur 1,861,268 (2011 – Eur 369,766).

17. Deferred taxation (continued)
Holding

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2011			
<i>Arising on:</i>			
Unused tax losses	<u>1,787,789</u>	<u>(45,309)</u>	<u>1,742,480</u>
2012			
<i>Arising on:</i>			
Unused tax losses	<u>1,742,480</u>	<u>(56,749)</u>	<u>1,685,731</u>
Deferred tax liabilities			
2011			
<i>Arising on:</i>			
Temporary differences on intangible assets	<u>3,622,480</u>	<u>(222,972)</u>	<u>3,399,508</u>
2012			
<i>Arising on:</i>			
Temporary differences on intangible assets	<u>3,399,508</u>	<u>(230,232)</u>	<u>3,169,276</u>

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. The deferred tax asset arising on unutilised tax losses reverses when dividends are declared from the subsidiaries.

18. Financial assets
(a) Investments in subsidiaries

	Holding Investments in subsidiaries Eur
Cost	
At 01.01.2011	24,469,174
Additions	3,287,617
At 01.01.2012	27,756,791
Additions	1,973,500
Disposals	(1,229,082)
At 31.12.2012	<u>28,501,209</u>

During the year under review, the company increased its investment in Premier Restaurants Malta Limited, through the acquisition of 15,000 Ordinary A shares and 150,000 Ordinary B shares from a former shareholder, for a consideration of Eur 1,973,500. This consideration was settled partly in cash and partly by way of a set-off against loans receivable from the same former shareholder, leaving a balance of Eur 881,000 still to be settled at the end of the year (note 23). The latter was settled in full after year end.

This acquisition brought the shareholding up to 92.12% from the 78.81% holding held on the 31 December 2011. This change in the ownership interest did not result in a change in the classification of Premier Restaurants Malta Limited as a subsidiary. Accordingly, the difference between the amount by which the non-controlling interests have been adjusted and the fair value of the consideration paid amounting to Eur 1,360,079, has been recognized directly in equity and attributed to the owners of the parent.

During the same year, the company disposed of the holding in SIA Premier Estates (subsidiary in Latvia), disposing of the entire investment of Eur1,229,082, for a consideration of Eur3,000,000. This transaction is described in more detail in note 31.

18. Financial assets (continued)

Details of the company's subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2012 %	Holding	Proportion of voting power held 2012 %	Proportion of voting power held 2011 %	Principal activity
SIA Premier Restaurants Latvia	Latvia	100	Direct	100	100	Operates McDonald's restaurants in Latvia
Premier Estates Ltd	Latvia	Nil	Direct	Nil	100	Development and leasing of property
AS Premier Restaurants Eesti	Estonia	100	Indirect	100	100	Operates McDonald's restaurants in Estonia
Premier Estates Eesti OU	Estonia	Nil	Indirect	Nil	100	Development and leasing of property
Premier Restaurants UAB	Lithuania	100	Indirect	100	100	Operates McDonald's restaurants in Lithuania
Premier Estates Lietuva UAB	Lithuania	Nil	Indirect	Nil	100	Development and leasing of property
Premier Restaurants Malta Limited	Malta	92.12	Direct	100	86.69	Operates McDonald's restaurants in Malta
Arcades Limited	Malta	92.01	Indirect	99.88	50	Operates McDonald's restaurants in Malta
Premier Arcades Limited	Malta	92.12	Indirect	100	86.69	Holding Company
Premier Assets (Malta) Limited	Malta	92.12	Indirect	100	86.69	Development and leasing of property
Premier Capital B.V.	Netherlands	100	Direct	100	100	Holding Company
Premier Capital Hellas S.A.	Greece	100	Direct	100	100	Operates McDonald's restaurants in Greece

18. Financial assets (continued)
(b) Joint ventures

On the 11 September 2012, Premier Restaurants Malta Limited (a subsidiary) acquired a further indirect interest of 49.88% in Arcades Limited, bringing the group's interest to 92.01%. Arcades Limited is effectively now a subsidiary of the group. This business combination is described in more detail in note 30. In the group financial statements the results are taken pro-rata, with a proportionate consolidation until the 10 September 2012, and fully consolidated thereafter.

The following amounts were included in the group financial statements for the year 2011 as a result of the proportionate consolidation of Arcades Limited

	2011 Eur
Current assets	<u>61,838</u>
Non-current assets	<u>321,434</u>
Current liabilities	<u>325,406</u>
Income	<u>1,273,730</u>
Expenses	<u>1,216,447</u>

(c) Loans and receivables

	Group		Holding		
	Loans to other related parties Eur	Total Eur	Loan to subsidiaries Eur	Loans to other related parties Eur	Total Eur
Amortised cost					
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 01.01.2012	293,378	293,378	12,351,095	637,029	12,988,124
Increase	4,560,679	4,560,679	994,825	3,774,757	4,769,582
Repayments	-	-	(10,782,140)	(580,920)	(11,363,060)
At 31.12.2012	<u>4,854,057</u>	<u>4,854,057</u>	<u>2,563,780</u>	<u>3,830,866</u>	<u>6,394,646</u>
Carrying amount					
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
At 31.12.2012	<u>4,854,057</u>	<u>4,854,057</u>	<u>2,563,780</u>	<u>3,830,866</u>	<u>6,394,646</u>
Less: Amount expected to be settled within 12 months (shown under current assets)	(4,854,057)	(4,854,057)	(973,780)	(3,830,866)	(4,804,646)
Amount expected to be settled after 12 months	-	-	1,590,000	-	1,590,000

18. Financial assets (continued)*(c) Loans and receivables (continued)***Loans to subsidiaries**

Loans to subsidiaries amounting to Eur340,000 (2011–Eur12,165,264) bear interest at the rate of 6.8% per annum. A loan to a subsidiary amounting to Eur 200,000 bears interest at 5% per annum, whereas another loan amounting to Eur 700,000 is interest free. The above loans are unsecured and are not expected to be settled within 12 months of the end of the reporting period. The remaining loans amounting to Eur 1,323,780 are unsecured, interest free and repayable on demand.

In the prior year, loans to subsidiaries amounting to Eur 12,165,264 were unsecured and bore interest at 6.8% per annum. The remaining loans to subsidiaries were unsecured, interest free and repayable on demand.

Loans to other related parties**Holding**

Loans to related parties amounting to Eur 2,950,885 (2011 – Eur NIL) are unsecured, bear interest at the rate of 6.8% per annum and are repayable on demand. The remaining loans to related parties amounting to Eur 879,981 (2011 – Eur 637,029) are unsecured, interest free and repayable on demand.

Group

Loans to related parties amounting to Eur 3,853,676 (2011 – Eur NIL) are unsecured, bear interest at the rate of 6.8% per annum and are repayable on demand. The remaining loans to related parties amounting to Eur 1,000,381(2011– Eur 293,378) 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, Greece and Malta. The total amount as at the end of the reporting period stands at *Eur2,050,665* (2011 – *Eur1,646,043*) after having recorded prepayments within a twelve month period of *Eur323,553* (2011 – *Eur603,364*) as current assets.

Notes to the financial statements

31 December 2012

20. Inventories

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Raw materials and consumables	<u>2,264,804</u>	<u>1,265,946</u>	<u>-</u>	<u>-</u>

21. Trade and other receivables

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Trade receivables	353,812	66,749	1,169	4,878
Other receivables	208,662	309,279	90,873	61,609
Amounts due from related companies	3,031,908	28,385	3,031,908	26,408
Amounts due from subsidiaries	-	-	-	2,124,722
Prepayments and accrued income	1,019,035	973,643	88,739	47,037
	<u>4,613,417</u>	<u>1,378,056</u>	<u>3,212,689</u>	<u>2,264,654</u>

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. An amount of Eur 3,000,000 included within amounts due by related parties, relates to the consideration receivable on the disposal of investment in subsidiary, and was received in January 2013 (note 31).

22. Trade and other payables

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Trade payables	5,399,931	3,539,580	116,942	9,263
Other payables	1,193,908	1,112,580	-	-
Social security liabilities	1,695,944	1,186,161	-	-
VAT and other liabilities	888,323	984,626	-	-
Amounts due to related companies	34,935	-	-	-
Accruals and deferred income	2,622,991	2,808,184	1,447,594	1,504,375
	<u>11,836,032</u>	<u>9,631,131</u>	<u>1,564,536</u>	<u>1,513,638</u>

No interest is charged on trade and other payables.

Notes to the financial statements

31 December 2012

23. Other financial liabilities

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Amounts due to former shareholder	881,000	-	881,000	-
Amounts due to related companies	169,297	36,964	69,297	167,345
Amounts due to group companies	-	-	3,778,864	89,516
Derivative financial liability held for trading	360,980	402,257	360,980	402,257
	<u>1,411,277</u>	<u>439,221</u>	<u>5,090,141</u>	<u>659,118</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,355,462)</u>	<u>(254,212)</u>	<u>(1,725,851)</u>	<u>(377,479)</u>
	<u>55,815</u>	<u>185,009</u>	<u>3,364,290</u>	<u>281,639</u>

Other financial liabilities are repayable as follows:

	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
On demand or within one year	1,355,462	254,212	1,725,851	377,479
In the second year	55,815	152,732	55,815	203,662
In the third year	-	32,277	-	77,977
After five years	-	-	3,308,475	-
	<u>1,411,277</u>	<u>439,221</u>	<u>5,090,141</u>	<u>659,118</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,355,462)</u>	<u>(254,212)</u>	<u>(1,725,851)</u>	<u>(377,479)</u>
	<u>55,815</u>	<u>185,009</u>	<u>3,364,290</u>	<u>281,639</u>

Included in the amount due to related parties is an outstanding amount of *Eur68,070* (2010 – *Eur166,293*) which is unsecured and bears interest at 4.25% per annum, and is due for settlement within 12 months. The remaining balances due to related parties are unsecured and interest free.

Included in the amounts owed to group companies, is an amount of *Eur 3,308,475* which is unsecured and bears interest at the rate of 3-month EURIBOR +2.95%, and an amount of *Eur 340,000* which is unsecured and bears interest at the rate of 6.8% per annum. The remaining balances due to group companies are unsecured and interest free.

Notes to the financial statements

31 December 2012

23. Other financial liabilities (continued)

Derivative financial instruments of *Eur360,980* (2011 – 402,257) comprise an interest rate swap whereby the company had entered into a contract to swap the floating rate on the holding company's previous bank loans (note 24) to a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur305,165* (2011 – *Eur 187,448*) is classified with current liabilities.

The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to *Eur 12,121,212* (2011 – 14,545,455) and the swap matures on the 16 June 2014.

At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 2.45% (2011 – 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	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Bank overdrafts	717,050	1,492,677	-	3,462
Bank loans	15,104,434	19,917,883	-	14,545,455
	15,821,484	21,410,560	-	14,548,917

Notes to the financial statements

31 December 2012

24. Bank overdraft and loans (continued)

Bank overdraft and loans are repayable as follows:

	Group		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
On demand or within				
one year	2,904,550	4,692,485	-	2,427,702
In the second year	2,187,500	3,995,341	-	2,424,240
In the third year	2,187,500	3,995,341	-	2,424,240
In the fourth year	2,187,500	3,544,344	-	2,424,240
In the fifth year	2,187,500	2,758,809	-	2,424,240
After five years	4,166,934	2,424,240	-	2,424,255
	<u>15,821,484</u>	<u>21,410,560</u>	<u>-</u>	<u>14,548,917</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	(2,904,550)	(4,692,485)	-	(2,427,702)
	<u>12,916,934</u>	<u>16,718,075</u>	<u>-</u>	<u>12,121,215</u>

During 2012, the group has undergone a major refinancing of banking facilities, by settling the amount of Eur 13,939,394 due by Premier Capital plc to Nordea Bank Finland Plc on the 1 June 2012. This repayment was made by SIA Premier Restaurants through a new loan obtained from AS DNB Banka in Latvia, the latter subsidiary in turn settled its loans payable to Premier Capital plc amounting to Eur 10,563,708. The new loan taken from AS DNB Banka, has a drawdown limit of Eur 17,500,000, of which Eur 15,104,434 had been drawn down at year end, has been granted at adjusted 3m EURIBOR +2.95%. 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.

The remaining bank borrowings relate to an overdraft balance of Eur 717,050 (2011 – Eur 1,489,210) of a group subsidiary in Malta. The overdraft facility has a limit of Eur 1,000,000 (2011 – Eur 2,000,000) and is in the name of Premier Restaurants Malta Limited, bearing interest at 250 basis point over the bank's base rate, presently 2.5% (2011: 2.5%) per annum. This facility is secured by a first general hypothec over the assets of the 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.

In 2011 the group had bank loans amounting to Eur 5,372,428 in the name of the Estates companies in the Baltics, which bore interest at various rates ranging from 6M EURIBOR +3.75% and 1M EURIBOR +0.9% - 3.35%. These bank loans are not presented in the period under review, given that Premier Estates Latvia has been sold in December 2012 (note 31).

25. Debt securities in issue

	Group and Holding	
	2012	2011
	Eur	Eur
6.8% bonds redeemable 2017-2020	<u>24,315,771</u>	<u>24,522,262</u>

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.

According to clause 20.11 of the bond issue prospectus dated 1 March 2010, "The issuer (Premier Capital plc) hereby undertakes that from the outset of the financial year commencing 1 January 2012, over a period of 8 years therefrom, build a sinking fund the value of which will by the end of such period be equivalent to 50% of the value of the issued bonds, thus creating a cash reserve from its annual surpluses to meet part of the redemption proceeds on the Redemption Date".

In view of the sinking fund commitment, during 2012, the company earmarked *Eur500,000* for this purpose. Of this amount, the sum of *Eur 288,327* was used to buy back 2,644 bonds with a nominal value of *Eur 264,400*. The remaining *Eur 211,673* were transferred to the sinking fund in February 2013. The board has appointed HSBC Bank Malta plc as trustee of the funds allocated to the sinking fund in accordance with the prospectus.

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 *Eur419,829* (2011 – *477,730*) 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 *Eur25,725,024* (2011 – *Eur 25,652,500*).

Notes to the financial statements

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26. Share capital

	2012 and 2011	
	Authorised	Issued and called up
	Eur	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
	<u>14,291,100</u>	<u>13,574,700</u>

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.

Notes to the financial statements

31 December 2012

27. Other equity

Group

	Legal reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2011	183,617	(158,474)	25,143
Transfer to retained earnings	(98,710)	-	(98,710)
Balance at 1 January 2012	84,907	(158,474)	(73,567)
Transfer from retained earnings	12,864	-	12,864
Effect of acquisition of part of non-controlling interest (note 18a)	-	(1,360,079)	(1,360,079)
Balance at 31 December 2012	97,771	(1,518,553)	(1,420,782)

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 Eur 370,825, a loss offset reserve of Eur 212,351 as explained below and the effect of acquisition of part of a non-controlling interest during 2012 amounting to Eur 1,360,079 as explained in note 18a.

Holding

	Other reserve Eur
Balance at 1 January 2011	212,351
Balance at 1 January 2012	212,351
Balance at 31 December 2012	212,351

The other reserve represents a loss offset reserve amounting to Eur 212,351 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		Holding	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Cash at bank and on hand	2,843,999	6,851,156	307,371	2,677,497
Bank overdrafts	(717,050)	(1,492,677)	-	(3,462)
	<u>2,126,949</u>	<u>5,358,479</u>	<u>307,371</u>	<u>2,674,035</u>

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2012 was 2% - 3% (2011 – 2% - 3%). The interest rate on bank overdrafts is disclosed in note 24.

29. Significant non-cash transactions

During 2011 there were no significant non-cash transactions.

During 2012 there were the following significant non-cash transactions:

- a) As explained in more detail in note 24, the company settled its bank loan with Nordea Bank Finland plc via its subsidiary SIA Premier Restaurants which took out a new bank loan and in turn the subsidiary settled loans payable to the company.
- b) As explained in more detail in note 18a, during the year, the company increased its investment in Premier Restaurants Malta Ltd and the consideration was partly settled by way of offsetting loans receivable, with the remaining balance paid in cash by the end of January 2013.
- c) As explained in more detail in note 30, during the year the group acquired a further interest in Arcades Limited, bringing the group's interest to 92.01%. The fair value of the consideration transferred, amounted to Eur 1,250,000 and did not involve the movement of cash and cash equivalents.
- d) As explained in more detail in note 31, the company sold its entire 100% holding in SIA Premier Estates for a total consideration of Eur 3,000,000. This amount was paid in full by the end of January 2013.

Notes to the financial statements

31 December 2012

30. Business combinations

2011

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 McDonald's 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 for 2011 include the results of the subsidiary for the seven month period from the acquisition date.

Consideration transferred

	Eur
Cash	<u>1,047,634</u>

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

	Eur
Current Assets	
Cash and cash equivalents	1,393,073
Trade and other receivables	863,694
Inventories	268,506
Non-current assets	
Property, plant and equipment	5,599,273
Prepayments	901,660
Current liabilities	
Trade and other payables	<u>(2,989,133)</u>
Fair value of net assets acquired	<u>6,037,073</u>

Notes to the financial statements

31 December 2012

30. Business combinations (continued)

2011 (continued)

	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	<u><u>(4,955,180)</u></u>

Acquisition related costs amounting to Eur201,506 have been excluded from the consideration transferred and have been recognised as an expense in the prior 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 year 2011 is a loss of Eur494,639 attributable to the newly acquired subsidiary. Revenue for the year 2011 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 considered 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 prior reporting period, the directors had 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.

Notes to the financial statements

31 December 2012

30. Business combinations (continued)

On the 11 September 2012, the group through its directly owned subsidiary Premier Restaurants Malta Limited acquired a further indirect interest in Arcades Limited, a company which currently operates one outlet in Malta, bringing the group's interest to 92.01%.

The fair value of the consideration transferred amounted to Eur 1,250,000, which was made by settlement of outstanding loans. As a result of this transaction, Arcades Limited is no longer a jointly controlled entity and is now effectively a subsidiary of the group.

Assets acquired and liabilities recognised at date of acquisition

	2012 Eur
Non-current assets	
Property, plant and equipment	609,658
Total non-current assets	<u>609,658</u>
Current assets	
Inventories	14,836
Cash and cash equivalents	25,679
Trade and other receivables	151,093
Total current assets	<u>191,608</u>
TOTAL ASSETS	801,266
Current liabilities	
Trade and other payables	278,058
Total current liabilities	<u>278,058</u>
Non - Current liabilities	
Deferred tax liability	8,208
Total non current liabilities	<u>8,208</u>
Total liabilities	<u>286,266</u>
Net assets acquired	<u><u>515,000</u></u>

Goodwill arising on acquisition

	2012 Eur
Consideration transferred	1,250,000
Fair value of previously held equity interest	1,250,000
Less	
Fair value of identifiable assets and liabilities of Arcades Limited	(515,000)
Goodwill arising on acquisition	<u><u>1,985,000</u></u>

30. Business combinations (continued)

The goodwill arising on acquisition mainly represents the excess assembled value of the acquiree's net assets over the fair value of identifiable assets and liabilities of the acquiree. It is also affected by the acquisition date fair value of the group's previously held interest in the acquiree. There were no acquisition related costs in connection with this acquisition and none of the goodwill arising on this acquisition is deductible for tax purposes.

Impact of acquisition on the results of the group

In the group financial statements, the results of Arcades Limited are taken pro-rata with a proportionate consolidation until 10 September 2012, and fully consolidated thereafter.

Included in the profit for the year 2012, is a profit of Eur 10,317 attributable to the newly acquired subsidiary. Had the acquisition of the subsidiary been effected on 1 January 2012, the revenue of the group for the year ended 31 December 2012 would have been Eur 83.9m. There would have been no material change on the profit for the year. The directors consider the numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

During the current year, the group recognised a gain of Eur 734,955 (note 7) as a result of the re-measuring to fair value its previously held equity interest in Arcades Limited.

Notes to the financial statements

31 December 2012

31. Disposal of subsidiary

On the 27 December 2012, the group publicly announced the decision of the board of directors to dispose of SIA Premier Estates. The business of SIA Premier Estates was focused on the acquisition and development of investment property for long term lease to the Restaurant subsidiaries in the three Baltic countries. SIA Premier Estates is a company registered under the laws of the Republic of Latvia, and in turn owns two other Estates companies namely: OU Premier Estates Eesti and Premier Estates Lietuva UAB, who own and lease investment property to Mc Donald's operating companies in Estonia and Lithuania respectively. The board proposed to sell its ownership in Premier Estates Latvia to enable management of Premier Capital plc. to focus entirely on the McDonald's restaurant business and not on real estate development. The effective date of the transfer of the investment in accordance with the agreement between the parties was 31 December 2012. The investment was disposed of for a consideration of Eur 3,000,000, which was settled in full after year end.

Consideration received and net cash inflow on disposal

	Eur
Consideration (received in January 2013)	3,000,000
Cash and cash equivalents disposed of	<u>(154,848)</u>
Net cash inflow	<u>2,845,152</u>

Analysis of assets and liabilities over which control was lost

	2012 Eur
Non-current assets	
Property, plant and equipment	<u>10,020,748</u>
Total non-current assets	10,020,748
Current assets	
Trade and other receivables	32,020
Cash and cash equivalents	<u>154,848</u>
Total current assets	186,868
TOTAL ASSETS	10,207,616
Current liabilities	
Trade and other payables	60,492
Bank overdrafts and loans	<u>637,596</u>
Total current liabilities	698,088
Non - Current liabilities	
Bank loans	4,369,542
Other financial liabilities	3,994,150
Deferred tax liability	<u>34,623</u>
Total non current liabilities	8,398,315
Total liabilities	<u>9,096,403</u>
Net assets disposed of	<u>1,111,213</u>

Notes to the financial statements

31 December 2012

31. Disposal of subsidiary (continued)

Gain on disposal of subsidiary:

Holding	2012 Eur
Consideration receivable	3,000,000
Cost of Investment	(1,229,082)
Gain on disposal (note 7)	<u>1,770,918</u>
Group	
Consideration receivable	3,000,000
Net assets disposed of	(1,111,213)
Gain on disposal (note 7)	<u>1,888,787</u>

32. 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	2012			2011		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Other operating income						
<i>Related party transactions with:</i>						
Other related parties	<u>19,320</u>	<u>67,859</u>	<u>28</u>	<u>19,320</u>	<u>172,516</u>	<u>11</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Other related parties	<u>327,017</u>			<u>337,870</u>		
Key management personnel	<u>127,102</u>			<u>125,358</u>		
	<u>454,119</u>	<u>8,643,551</u>	<u>5</u>	<u>463,228</u>	<u>7,521,269</u>	<u>6</u>
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries						
Other related parties	<u>1,888,787</u>	<u>4,165,306</u>	<u>45</u>	<u>-</u>	<u>5,009,007</u>	<u>-</u>
Finance costs:						
<i>Related party transactions with:</i>						
Other related parties	<u>5,146</u>	<u>2,822,186</u>	<u>-</u>	<u>9,548</u>	<u>2,657,651</u>	<u>-</u>

32. Related party disclosures (continued)
Holding

	2012			2011		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur		Eur	Eur	
Other operating income:						
<i>Related party transactions with:</i>						
Subsidiaries	1,978,485			2,245,324		
Other related parties	19,320			19,320		
	<u>1,997,805</u>	<u>2,023,550</u>	<u>98.73</u>	<u>2,264,644</u>	<u>2,267,469</u>	<u>99.9</u>
Administrative expenses						
<i>Related party transactions with:</i>						
Other related parties	126,440			126,440		
Key management personnel	37,906			28,669		
	<u>164,346</u>	<u>2,418,696</u>	<u>7</u>	<u>155,109</u>	<u>2,144,091</u>	<u>7</u>
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries	2,193,498			1,904,235		
Other related parties	1,770,918			4,862		
	<u>3,964,416</u>	<u>4,018,980</u>	<u>99</u>	<u>1,909,097</u>	<u>1,958,065</u>	<u>97</u>
Finance costs:						
<i>Related party transactions with:</i>						
Other related parties	78,324	2,315,612	3	9,548	2,637,708	-

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

The amounts due from/to related parties at year-end are disclosed in notes 18, 21, 22 and 23. Other than as disclosed in the respective notes, no guarantees have been given or received.

Notes to the financial statements

31 December 2012

33. Operating leases

	2012	Group 2011	2012	Holding 2011
	Eur	Eur	Eur	Eur
Minimum lease payments and contingent rents under operating leases recognised as an expense for the year	<u>5,073,501</u>	<u>3,881,827</u>	<u>126,440</u>	<u>126,440</u>

The group is party to several operating lease agreements for lease of premises and land on which the restaurants in the Baltics, Malta and Greece are situated. The group also leases certain properties whereby it is committed to pay monthly payments to the lessor 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:

	2012	2011
	Eur	Eur
Within one year	4,435,220	3,068,888
Between two to five years	14,839,768	10,206,883
Over five years	<u>19,636,176</u>	<u>8,539,681</u>
	<u>38,911,164</u>	<u>21,815,452</u>

Notes to the financial statements

31 December 2017

34. 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	
	2012	2011	2012	2011
	Eur	Eur	Eur	Eur
Capital expenditure authorised but not contracted for	-	5,728,000	-	5,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

35. Contingent liabilities

At the end of the reporting period, the company acted as a guarantor for bank facilities held in the name of its subsidiaries. The company guaranteed Eur 4,999,499 (2011 – Eur 4,999,499) in favour of Premier Restaurants Malta Ltd, and guaranteed the amount of Eur 17,500,000 (2011 – NIL) in favour of the SIA Premier Restaurants (Latvia subsidiary), on the loan which the latter has with AS DNB Banka.

Certain subsidiaries of the group, have also guaranteed the amount of Eur 4,704,209 (2011 – Eur 4,882,556) in favour of related companies in connection with bank facilities of the respective related company.

36. Fair value of financial assets and financial liabilities

At 31 December 2012 and 2011 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, other than the shares in subsidiary companies that are carried at cost, 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 rates at end of the reporting period and the credit risk inherent in the contract.

	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 31.12.2011	-	402,257	-	402,257
As at 31.12.2012	-	360,980	-	360,980

37. 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 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. Cash at bank and the sinking fund are placed with reliable financial institutions.

Credit risk with respect to trade receivables is limited due to the nature of the group's operations. Loans and receivables comprise amounts due from related parties. The group's and company's concentration to credit risk arising from these receivables is considered limited as there were no indications that these counterparties are unable to meet their obligations.

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.

During the prior year, the group impaired receivables in connection with Arcades Limited at the time a jointly controlled entity, for an amount of Eur 1,000,000. This impairment loss was taken due to the fact that the Court of Malta had ordered the eviction of Arcades Limited from the Valletta outlet in February 2012. Following receipt of this judgement, the company re-negotiated the leasehold agreement with the landlord, whereby a new agreement was signed in July 2012, extending the lease period for a further 15 years. Consequently the provision of Eur 1,000,000 taken in 2011 was reversed in 2012.

37. Financial risk management (continued)*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.

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 3.4528 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, bank borrowings, debt securities in issue and cash at bank are disclosed in notes 18, 23, 24,25 and 28 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. In a prior year, the group entered into an interest rate swap to hedge its exposure arising from floating interest rates on the majority of its 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.

Notes to the financial statements

31 December 2012

37. Financial risk management (continued)

Sensitivity analysis

As disclosed in note 24, the company's bank borrowings were settled by a group entity during the year under review. As at the end of the reporting period and the comparative period, the Company's exposure to cash flow interest rate risk is not material. As at the end of the reporting period, the Group's exposure to cash flow interest rate risk is also not material, since the bank borrowings that are not hedged by virtue of the interest rate swaps, substantively match the Group's cash at bank. The interest rate swap exposes the Group and the Company to fair value interest rate risk to the same extent.

The Group and the Company have used a sensitivity analysis technique that measures the change in the cash flows, or fair value, as appropriate on the relevant 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 and fair value 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:

	Group and Holding	
	2012	2011
	Eur	Eur
Market interest rates - fair value	<u>+/- 64k</u>	<u>+/- 130k</u>

37. Financial risk management (continued)*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 comprise 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. At the end of the reporting period, the group showed a net current liability position of Eur 988,290 (2011 – Eur 2,900,752).

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.

As further disclosed in note 25, in terms of the prospectus, the company is required to build up a sinking fund, the value of which by the year prior to the redemption date of the bonds, be equivalent to 50% of the value of the bonds.

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.

Notes to the financial statements

31 December 2012

37. 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
2012						
<i>Non-derivative financial liabilities</i>						
Non-interest bearing	11,136,238	-	-	-	-	11,136,238
Variable rate instruments	2,746,733	2,666,364	2,585,995	2,505,626	7,954,497	18,459,215
Fixed rate instruments	1,750,091	1,682,021	1,682,021	1,682,021	30,202,168	36,998,322
Derivative financial liabilities	305,165	55,815	-	-	-	360,980
	<u>15,938,227</u>	<u>4,404,200</u>	<u>4,268,016</u>	<u>4,187,647</u>	<u>38,156,665</u>	<u>66,954,755</u>
2011						
<i>Non-derivative financial liabilities</i>						
Non-interest bearing	9,398,095	-	-	-	-	9,398,095
Variable rate instruments	4,424,156	4,329,226	2,806,019	2,742,537	5,146,435	19,448,373
Fixed rate instruments	2,702,957	3,468,665	3,403,198	2,886,734	27,405,502	39,867,056
Derivative financial liabilities	187,488	152,733	62,036	-	-	402,257
	<u>16,712,696</u>	<u>7,950,624</u>	<u>6,271,253</u>	<u>5,629,271</u>	<u>32,551,937</u>	<u>69,115,781</u>

Holding

	On demand or within 1 year Eur	2 years Eur	3 years Eur	4 years Eur	After 5 years Eur	Total Eur
2012						
<i>Non-derivative financial liabilities</i>						
Non-interest bearing	2,577,152	-	-	-	-	2,577,152
Variable rate instruments	95,946	95,946	95,946	95,946	3,692,258	4,076,042
Fixed rate instruments	1,773,211	1,705,141	1,705,141	1,705,141	30,634,647	37,523,281
Derivative financial liabilities	305,165	55,815	-	-	-	360,980
	<u>4,751,474</u>	<u>1,856,902</u>	<u>1,801,087</u>	<u>1,801,087</u>	<u>34,326,905</u>	<u>44,537,455</u>
2011						
<i>Non-derivative financial liabilities</i>						
Non-interest bearing	1,513,638	-	-	-	-	1,513,638
Variable rate instruments	2,881,460	2,803,034	2,783,829	2,735,141	5,146,435	16,349,899
Fixed rate instruments	1,700,000	1,700,000	1,700,000	1,700,000	27,054,000	33,854,000
Derivative financial liabilities	187,488	152,733	62,036	-	-	402,257
	<u>6,282,586</u>	<u>4,655,767</u>	<u>4,545,865</u>	<u>4,435,141</u>	<u>32,200,435</u>	<u>52,119,794</u>

37. Financial risk management (continued)*Derivative financial instruments*

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

The group 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 its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of items presented within equity in the statement of financial position, debt securities and bank borrowings as disclosed in notes 24 and 25 and cash and cash equivalents as disclosed in note 28.

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 on-going basis. Based on recommendations of the directors, the company balances its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from the prior year.

38. Post Balance Sheet events

The only significant event which has occurred until the release of these financial statements, is the opening of one new restaurant in Jelgava (Latvia) which opened its doors to the public on the 26 February 2013.

Furthermore the group and the company received Eur 3,000,000 from a related party in connection with the disposal of an investment in subsidiary as described in note 31.

Independent auditor's report

to the members of

Premier Capital p.l.c.

We have audited the accompanying financial statements of Premier Capital p.l.c. and its group set out on pages 11 to 78, which comprise the statements of financial position of the company and the group as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for 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 5, 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 and 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 preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent auditor's report (continued)

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 Premier Capital p.l.c. and its group as at 31 December 2012 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).



Annabelle Zammit Pace as Principal
in the name and on behalf of

Deloitte Audit Limited

Registered auditor

25 April 2013

