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Premier Capital Plc
Report and financial statements

31 December 2018

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Directors, officer and other information

<i>Directors:</i>	Carmelo Hili (<i>sive</i>) Melo Dr. Ann Fenech Massimiliano Lupica Karen Pace Victor Tedesco Valentin-Alexandru Truta
<i>Secretary:</i>	Dr. Melanie Miceli Demajo
<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>	Grant Thornton Fort Business Centre Floor 2 Mriehel Bypass Birkirkara BKR 3000 Malta
<i>Principal bankers:</i>	HSBC Bank Malta p.l.c., Commercial Branch, 233, Republic Street, Valletta, Malta BRD – Groupe Societe Generale S.A., 1-Ion Mihalache Boulevard, Sector 1, Bucharest, Romania Luminor Bank AS 12 Skanstes Street, Riga LV-1013 Republic of Latvia

Directors' report

Year ended 31 December 2018

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2018.

Principal activities

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

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

Performance review

The group registered an increase in revenue from *Eur263,420,463* in 2017 to *Eur293,649,778* or an increase of 11.5% over prior year. All markets within the group has registered an increase in turnover compared to the year 2017.

During the year under review, the group registered an operating profit of *Eur26,040,050* increasing from *Eur23,417,794* in 2017. After accounting for investment income and finance costs, the group registered a pre-tax profit of *Eur22,997,426* as opposed to *Eur19,964,966* in prior year.

The group's net assets as at 31 December 2018 amounted to *Eur48,700,800* (2017 – *Eur47,607,054*).

During the year under review, the holding company registered an operating loss of *Eur4,607,146* (2017 – *Eur3,970,130*). After accounting for investment income and finance costs, the holding company registered a pre-tax profit of *Eur16,621,038* (2017 – *Eur8,297,865*).

The net assets of the holding company at the end of the year under review amounted to *Eur33,873,514* (2017 – *Eur34,610,916*).

The group measures the achievement of its objectives through the use of the following other key performance indicators:

Financial Performance

The group's current ratio (current assets divided by current liabilities), has increased from 100.8% at the end of 2017 to 105.6% at the end of 2018. The group uses this indicator as a measure of liquidity.

Directors' report

Year ended 31 December 2018

Performance review (continued)

Financial Performance (continued)

The group calculates the level of its free cash flow by reference to the net cash generated from operating activities less capital expenditure. The group's free cash flow at year end amounted to *Eur16,635,832* as opposed to a free cash flow of *Eur10,909,300* at the end of the preceding year. This indicator measures how well the group turns profit into cash through the management of working capital and a disciplined approach to capital expenditure.

The group measures its performance based on EBITDA. EBITDA is defined as the group profit before net investment income and finance costs, taxation, depreciation and amortisation. During the year under review, EBITDA increased by 9.6% to *Eur38,426,572* from *Eur35,062,459*, whereas the group's EBITDA margin slightly decreased from 13.3% to 13.1%.

During the year under review, the interest cover of the group improved from 7.90 times to 9.67 times. The interest cover represents the EBITDA divided by the net interest costs.

The debt to equity ratio of the group is monitored on a continuous basis. This ratio increased slightly to 1.84 times at the end of the year as opposed to 1.78 times in 2017. This indicator is computed by dividing the total interest-bearing debt excluding bank overdrafts by the total equity of the group.

The gearing ratio of the group slightly increased to 65.2% at the end of the year as opposed to 64.1% in 2017.

Non-financial Performance

A key achievement for the group in 2018 was its ability to serve more customers than ever before since it commenced operations. The group registered year on year guest count growth of 6.5% serving a total of 119 million customers in 2018.

Customer satisfaction is monitored throughout the year via customer feedback portal and mystery shopper programmes that the group operates in all the markets whereby results are reviewed on a monthly basis by management at the market level.

The average number of employees increased from 6,134 to 6,504, or by 6% during the year. This was mainly attributable to meeting operational requirements resulting from an increase in the number guests served throughout the year, and also as required to operate the new restaurants. The group runs a number of employee surveys to monitor employee satisfaction and commitment. Having high quality teams in place is essential to attain the holding company's business objectives.

Directors' report

Year ended 31 December 2018

Performance review (continued)

Review of the Business and Outlook

Market Performance

Overall group revenue increased by 11.5% compared to 2017, with all markets within the group contributing to the growth. The market reporting the highest growth was Lithuania, with an overall growth of 19.0% over 2017. Greece registered a growth of 13.8% when compared to 2017, Romania 11.2%, Estonia 9.1%, Latvia 8.9% and Malta grew by 7.5%.

Restaurants Portfolio

During the year under review, the group continued to grow its portfolio, bringing up the total number of restaurants it operates to 144 by the end of the year (2017 – 140). Development activity included the opening of one and the closure of two restaurants in Greece, one restaurant in Lithuania and eight new openings and two closures in Romania. The group also remodelled two of the existing restaurants in the Baltic States and one in Romania.

Future Outlook

Looking ahead, the outlook for the group's business across all six markets is positive. Across, the Baltic States, Malta and in Romania, the McDonald's brand remains a market leader within the informal eating out sector and the group continues to grow its market share and broaden its user base through improving overall customers' restaurant experience. This indicates that the group expects to continue to grow its business in the coming years. Within the Greek market, McDonald's still faces strong competition with key players in the informal eating out sector enjoying a higher market share, however the group kept on improving its market share and results are finally improving.

Principal risks and uncertainties

The successful management of risk is essential to enable the group to achieve its objectives. The ultimate responsibility for risk management rests with the group's directors, who evaluate the group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the group are included below:

(a) Market and competition

The group operates in a highly competitive environment and faces competition from various other entities. Technological developments also have the ability to create new forms of quickly evolving competition. An effective, coherent and consistent strategy to respond to competitors and changing market enables the group to sustain its market share and its profitability. The group continues to focus on service quality and performance in managing this risk.

Directors' report

Year ended 31 December 2018

Principal risks and uncertainties (continued)

(b) Legislative risks

The group is subject to numerous laws and regulations covering a wide range of matters. Failure to comply could have financial or reputational implications and could materially affect the group's ability to operate. The group has embedded operating policies and procedures to ensure compliance with existing legislation.

(c) Talent and skills

Failure to engage and develop the group's existing employees or to attract and retain talented employees could hamper the group's ability to deliver in the future. The group invests continuously in training its employees and undertakes regular reviews of the group's resource requirements.

(d) Economic and market environment

Economic conditions have been challenging in recent years across the markets in which the group operates in particular in the Greek market. A significant economic decline in the informal eating out segment could impact the group's ability to continue to attract and retain customers. Demand for the group's products can be adversely affected by weakness in the wider economy which are beyond the group's control. This risk is evaluated as part of the group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The group continues to make significant investment in innovation. The group regularly reviews its pricing structures to ensure that its products are appropriately placed within the markets in which it operates.

(e) Brand and reputation risk

Damage to the group's reputation could ultimately impede the group's ability to execute its corporate strategy. To mitigate this risk, the group strives continually to build its reputation through a commitment to sustainability, transparency, effective communication and best practices. The group works to develop and maintain its brand value.

(f) Technology and business interruption

The group relies on information technology in all aspects of its business. In addition, the services that the group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs. The group makes significant investment in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers.

(g) Supply chain

The group operates its own supply chain in the Baltics, Malta and Greece, whilst in Romania such function is outsourced. Supply chain relies on a number of McDonald's approved suppliers for the provision of its supplies. A significant failure within the supply chain could adversely affect the group's ability to deliver products and services to its customers, however the group has proper crisis management plans in place to mitigate such risk. Also a robust supplier selection process is in place and operated by McDonald's globally, with appropriate ongoing management and monitoring of key suppliers.

Directors' report

Year ended 31 December 2018

Principal risks and uncertainties (continued)

(h) Customer service

The group's revenues are at risk if it does not continue to provide the level of service expected by its customers. The group's commitment to customers is embedded in its values. The relevant employees undertake intensive training programmes to ensure that they are aware of, and abide by, the levels of service that are required by the group's customers.

(i) Political risk

The group operates in many countries with differing economic, social and political conditions, which could include political unrest, strikes and other forms of instability. Changes in these conditions may adversely affect the group's business, results of operations, financial conditions or prospects. The group adapts to such risks by incorporating this risk into its business strategy.

(j) Significant judgements and estimates

Note 3 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements and which require significant estimates and judgements.

(k) Contingent liabilities

Note 32 to the financial statements provides details in connection with the group's contingent liabilities.

Financial risk management

Note 34 to the financial statements provides details in connection with the group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Non-Financial Statement

Environmental matters

The group is committed to environmental responsibility, and all subsidiaries within the group has a role to play in living up to that commitment. Efforts are put on areas where the group can have significant impact on critical environmental issues, including climate change, natural resource conservation and waste management. The group invests in innovations that can improve our environmental footprint, besides collaborating with other organizations to raise environmental awareness and work with key suppliers to promote environmentally responsible practices in their operations.

The group feels that it is its duty to operate as part of the local community in order to keep the countries, where we operate, tidy. Initiatives taken up by the group companies include placing bins outside all of our restaurants and encourage customers to use them, and collaboration with local communities in taking part in various cleaning activities in the cities and towns we are located. Subsidiaries within the group are enrolled in local programmes for waste collection, separation and recycling of waste and also collection of used oil which is then recycled into biodiesel.

Directors' report

Year ended 31 December 2018

Non-Financial Statement (continued)

In terms of energy efficiency, the group implements modern technology in most of its new and remodelled restaurants, with the installation of energy management systems and the use of energy efficient equipment and LED lighting.

McDonald's suppliers are also responsible for managing, measuring and minimizing the environmental impact of their facilities, with specific focus on air emissions, waste reduction, recovery and management, water use and disposal, and greenhouse gas emissions. By the year 2025, McDonald's is committed that all of its restaurants will provide options for recycling or sorting of guest packaging and 100% of consumer packaging will come from renewable, recycled, and certified sources.

Employee matters

The group provides opportunity, nurture talent, develop leaders and reward achievement. The group believes that a team of individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to its continuing business success. Performance evaluation systems are employed across the group, using multistage training systems to monitor individual's development and set training requirements.

Each of the group's employees deserves to be treated with fairness, respect and dignity, providing equal opportunity for employees and applicants. All of the group's employees have the right to work in a place that is free from harassment, intimidation or abuse, sexual or otherwise, or acts or threats of physical violence. It is committed to diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee, and rely on these diverse perspectives to help the group build and improve the relationships with customers and business partners. The group embraces the diversity of its employees, customers and business partners, and work hard to make sure everyone within the group feels welcome.

The group provides equal treatment and equal employment opportunity without regard to race, colour, religion, sex, age, national origin, disability, sexual orientation, gender identity or any other basis protected by law. In addition, it is committed to providing a safe and healthful working environment for its employees, requiring all employees to abide by safety rules and practices and to take the necessary precautions to protect themselves and their fellow employees. For everyone's safety, employees must immediately report accidents and unsafe practices or conditions to their immediate supervisors.

Directors' report

Year ended 31 December 2018

Non-Financial Statement (continued)

Social Matters

McDonald's has a long, proud tradition of giving back to local communities. As one of the leaders in social responsibility, the group has a positive influence on its neighbourhoods, people and environment. The group donate thousands of euros to charitable organizations in the markets it operates, particularly those that address the needs of children. The local chapters of the Ronald McDonald House Charities (RMHC) have a special place in the group's philanthropy. Each year, the restaurants within the group raise thousands of euros for RMHC and other children's causes to help defray RMHC's general and administrative costs and certain other costs it would otherwise incur to raise funds and deliver program services

Respect for human rights

The group conducts its activities in a manner that respects human rights, taking the responsibility seriously to act with due diligence to avoid infringing on the human rights of others and addressing any impact on human rights if they occur. The group's commitment to respect human rights is defined in the code of business conduct, which applies to all employees of the group, and within the McDonald's supplier code of conduct applying to all McDonald's suppliers globally.

The group is committed to provide a safe work environment that fosters respect, fairness and dignity. Group employees are trained annually on the standard of business conduct.

Within the McDonald's system, suppliers are expected to conduct their activities in a manner that respects fundamental rights for all people. They should employ workers who are legally authorized to work in their location and facility. Suppliers do not use any form of slave, forced, bonded, indentured or involuntary prison labour, do not engage in human trafficking or exploitation, nor import goods tainted by slavery or human trafficking.

Anti-corruption and bribery matters

The group's employees must comply with the group Code of Conduct and Whistle-blower Policy to ensure that all employees are discouraged from any corrupt practices or bribery as well as are incentivized to report any such activities in a direct line with the responsible group supervisor, without fearing reprisals. Every employee is introduced to these policies upon employment and are mandatory to be adhered to it.

The group prohibits all forms of bribery or kickbacks as detailed in the Code of Conduct. All employees, representatives and business partners must fully comply with anti-bribery legislation. To comply with the group policy and anti-bribery laws, no employee should ever offer, directly or indirectly, any form of gift, entertainment or anything of value to any government official or his or her representatives.

The group is committed to complying with the applicable laws in all countries where it does business. It adopts a Global Anti-Corruption Policy which sets forth its commitment to ensuring that it carries out business in an ethical manner and abides by all applicable anti-bribery and anti-corruption laws in the countries in which it operates by, among other things, prohibiting the giving or receiving of improper payments in the conduct of McDonald's business, and by discouraging such behaviour by its business partners.

Directors' report

Year ended 31 December 2018

Business Model

The group operates the McDonald's brand, which is considered as the largest fast food chain in the world with over 35,000 restaurants in more than 110 countries. The business model, depicted in the "three-legged stool" of operators, suppliers and employees, is its foundations, and the balance of interest among the three groups is essential to the group's success. The strength of the alignment among the companies within the group, its suppliers, and employees has been key to the group's success. This business model enables the group to consistently deliver locally relevant restaurant experiences to customers and be an integral part of the communities it serves. In addition, it facilitates its ability to identify, implement and scale innovative ideas that meet customer's changing needs and preferences. The group adopts McDonald's operations principles, which are designed to assure consistency and high quality at every restaurant.

Results and dividends

The results for the year ended 31 December 2018 are shown in the statements of comprehensive income on page 16. The group's profit for the year after taxation was *Eur17,880,907* (2017 – *Eur15,889,980*), whilst the holding company's profit for the year after taxation was *Eur14,301,926* (2017 – *Eur7,661,918*). During the year, the directors declared an interim dividend of *Eur15,000,000*, out of which *Eur500,000* are still due by the end of the reporting period. The directors do not recommend the payment of a final dividend.

Post Balance Sheet Events

There were no post balance sheet events which merit mention in the director's report.

Likely future business developments

The directors consider that the year end financial position was satisfactory and that the group is well placed to sustain the present level of activity in the foreseeable future.

Directors

The directors who served during the period were:

Carmelo Hili (*sive*) Melo (Chairman)
Carmel J. Farrugia (resigned on 27 April 2018)
Dr. Ann Fenech
Karen Pace (appointed on 10 May 2018)
Massimiliano Lupica
Victor Tedesco
Valentin-Alexandru Truta

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

Directors' report

Year ended 31 December 2018

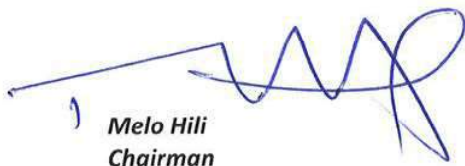
Going Concern

After reviewing the group's and holding 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 reappoint Grant Thornton as auditor of the company will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on its behalf on 24 April, 2019 by:



Melo Hili
Chairman



Victor Tedesco
Director

Statement of directors' responsibilities

Year ended 31 December 2018

The directors are required by the Companies Act (Cap. 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 holding company and its group at the end of each financial year and of the profit or loss of the holding company and its group for the year then ended. In preparing the financial statements, the directors should:

- adopt the going concern basis unless it is inappropriate to presume that the holding company and the group will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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 holding company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 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 holding 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 holding company and its group as at 31 December 2018 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
Chairman



Victor Tedesco
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 'Code') 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 Code is in the best interest of the shareholders and other stakeholders since it ensures 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 Code, 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 5.97.8.

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 and is currently composed of six Members, three of which are completely independent from the Company or any other related companies.

Executive Directors

Victor Tedesco

Non-Executive Directors

Mr. Carmelo Hili (*sive*) Melo (Chairman)

Mr. Valentin - Alexandru Truta

Independent Non-Executive Directors

Mr. Carmel J. Farrugia (resigned on 27 April 2018)

Dr. Ann Fenech

Ms. Karen Pace (appointed on 10 May 2018)

Mr. Massimiliano Lupica

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 and is currently composed of the following individuals:

Mr Massimiliano Lupica (Chairman)
Mr Valentin - Alexandru Truta
Mr Carmel J. Farrugia (resigned on 27 April 2018)
Ms. Karen Pace (appointed on 10 May 2018)

This satisfies the requirement established by the Listing Rules that the Audit Committee is composed of non-executive directors, the majority of which being independent.

The Board considers Mr. Carmel J. Farrugia, and then subsequently Ms. Karen Pace, to be competent in accounting and/or auditing in terms of the Listing Rules. Furthermore, the Board considers that the Audit Committee, as a whole, to have relevant competence in the sector the Company is operating.

The Audit Committee met four times during the year 2018 and twice during 2019. Communication with and between the company secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Corporate governance statement

Internal Control

While the Board is ultimately responsible for the group's internal controls as well as their effectiveness, the executive responsibility for the running of the Company's business is vested in the Chief Executive Officer who reports directly to the Board.

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:

- 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;
- Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives;
- Appointing and monitoring the Chief Executive Officer whose function is to manage the operations of the group;
- Identifying and ensuring that significant risks are managed satisfactorily; and
- Company policies are being observed.

Corporate Social Responsibility

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

The subsidiary companies in Estonia, Greece, Latvia, Lithuania, Malta and Romania organise an annual 'McHappy Day' programme of events held over one month to fund-raise for local charity. A nominal amount is also donated from every 'McHappy' meal to charity.

The Latvia chapter of RMHC (Ronald McDonald House Charity), supported by the group, operates a state-of-the-art Mobile Care clinic which tours the country providing medical services to children in poorly served areas. It provides a range of medical services including ophthalmology, treatment for asthma and neurology. Working closely with the Children's Clinical University Hospital of Latvia, the Ministry of Health and the Latvian Union of Municipalities, the mobile care centre travels the Latvian countryside daily. Over the past six years, the charity has provided free medical exams to around 30,000 Latvian children mostly aged under 5 years.

After RMHC (Malta's Chapter) launched its plans in 2015 to set up a centre from which to run programmes intended to assist disadvantaged children and their immediate family, a 360-square meter site was acquired and construction work began in late 2016. Throughout 2018, finishing works were conducted at the centre and this is expected to open by mid-2019. In the meantime, MOUs with the Autism Parents Association and with ADHD Malta were concluded for the running of programmes for children on the Autism and ADHD spectrum. McDonald's in Malta is the main benefactor of the RMHC (Malta's Chapter).

Corporate governance statement

Corporate Social Responsibility (continued)

In Romania, the local subsidiary supports the local Chapter of RMHC. There the charity runs two Ronald McDonald Charity Houses which accommodate children undergoing treatment and their family members free of charge. In 2019, the centre in Timisoara will be expanded and refurbished. Two other Ronald McDonald Houses are in the pipeline and construction is planned to start once the building permission is in hand.

The charity is represented in more than 60 countries and regions across the globe and is responsible for providing grants and services to children's well-being programmes around the world.

In carrying on its business, the group is fully aware of its obligation to preserving the environment and has 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 24 April, 2019 by:



Melo Hili
Chairman



Victor Tedesco
Director

Statements of profit or loss and other comprehensive income

Year ended 31 December 2018

	Notes	2018 Eur	Group 2017 Eur	Holding Company 2018 Eur	2017 Eur
Revenue	5	293,649,778	263,420,463	1,092,000	1,104,004
Cost of sales	8	(229,653,871)	(205,977,544)	-	-
Gross profit		63,995,907	57,442,919	1,092,000	1,104,004
Other operating income		1,635,226	805,367	-	127,837
Selling expenses	8	(17,102,603)	(15,101,346)	-	-
Administrative expenses	8	(22,488,480)	(19,729,146)	(5,699,146)	(5,201,971)
Operating profit/(loss)		26,040,050	23,417,794	(4,607,146)	(3,970,130)
Investment income	6	932,392	986,824	23,906,521	15,493,576
Finance costs	7	(3,975,016)	(4,439,652)	(2,678,337)	(3,225,581)
Profit before tax	8	22,997,426	19,964,966	16,621,038	8,297,865
Income tax expense	11	(5,116,519)	(4,074,986)	(2,319,112)	(635,947)
Profit for the year		17,880,907	15,889,980	14,301,926	7,661,918
Other comprehensive income / (expense)					
Items that will not be reclassified subsequently to profit or loss:					
Decrease in fair value of financial assets at fair value through other comprehensive income		(45,258)	-	(45,258)	-
Items that may be reclassified subsequently to profit or loss:					
Increase / (decrease) in fair value of financial assets at fair value through other comprehensive income (2017 - available-for-sale investments)		5,930	(87,896)	5,930	(87,896)
Reversal of fair value upon disposal of available-for-sale investments		-	(272,666)	-	(272,666)
Exchange differences on translation of foreign operations		(28,743)	(1,054,346)	-	-
		(22,813)	(1,414,908)	5,930	(360,562)
Total other comprehensive expense		(68,071)	(1,414,908)	(39,328)	(360,562)
Total comprehensive income for the year		17,812,836	14,475,072	14,262,598	7,301,356
Profit attributable to:					
Owners of the holding company		16,007,887	14,245,157		
Non-controlling interests	16	1,873,020	1,644,823		
		17,880,907	15,889,980		
Total comprehensive income attributable to:					
Owners of the holding company		15,942,690	12,830,249		
Non-controlling interests	16	1,870,146	1,644,823		
		17,812,836	14,475,072		

Statements of financial position

31 December 2018

	Notes	2018 Eur	Group 2017 Eur	Holding Company 2018 Eur	2017 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	25,439,875	25,447,850	-	-
Intangible assets	13	9,543,133	10,291,675	5,488,811	6,098,687
Property, plant and equipment	14	83,738,917	74,855,001	31,947	36,810
Financial assets at fair value through other comprehensive income (2017 -					
Available-for-sale investments)	16	856,267	890,697	856,267	890,697
Investment in subsidiaries	16	-	-	56,375,780	56,375,780
Loans and receivables	16	9,817,164	15,130,720	35,607,284	34,207,281
Deferred tax assets	15	602,531	599,841	-	-
Prepayments	17	2,350,724	2,220,214	510,095	510,095
		<u>132,348,611</u>	<u>129,435,998</u>	<u>98,870,184</u>	<u>98,119,350</u>
Current assets					
Inventories	18	5,192,245	4,072,637	-	-
Loans and receivables	16	3,000,281	2,853,551	4,284,479	3,486,206
Trade and other receivables	19	5,130,651	3,417,043	879,335	613,122
Current tax asset		208,068	127,353	-	-
Cash and cash equivalents	26	33,571,848	21,221,915	5,087,990	162,469
		<u>47,103,093</u>	<u>31,692,499</u>	<u>10,251,804</u>	<u>4,261,797</u>
Total assets		<u>179,451,704</u>	<u>161,128,497</u>	<u>109,121,988</u>	<u>102,381,147</u>
Current liabilities					
Trade and other payables	20	33,453,304	24,303,279	1,018,073	764,590
Other financial liabilities	21	1,636,248	484,183	3,383,866	10,699
Bank borrowings	22	6,050,916	4,800,896	-	-
Current tax liabilities		3,484,888	1,854,839	1,305,457	829,385
		<u>44,625,356</u>	<u>31,443,197</u>	<u>5,707,396</u>	<u>1,604,674</u>
Non-current liabilities					
Bank borrowings	22	19,493,602	15,602,912	-	-
Debt securities in issue	23	64,258,540	64,164,882	64,258,540	64,164,882
Other financial liabilities	21	286,469	114,217	3,500,000	-
Provisions		304,399	195,560	-	-
Deferred tax liabilities	15	1,782,538	2,000,675	1,782,538	2,000,675
		<u>86,125,548</u>	<u>82,078,246</u>	<u>69,541,078</u>	<u>66,165,557</u>
Total liabilities		<u>130,750,904</u>	<u>113,521,443</u>	<u>75,248,474</u>	<u>67,770,231</u>
Net assets		<u>48,700,800</u>	<u>47,607,054</u>	<u>33,873,514</u>	<u>34,610,916</u>

Statements of financial position

31 December 2018

	Notes	2018 Eur	Group 2017 Eur	Holding Company 2018 Eur	2017 Eur
EQUITY					
Share capital	24	33,674,700	33,674,700	33,674,700	33,674,700
Exchange translation reserves		(1,151,606)	(1,264,039)	-	-
Fair value reserve		(33,302)	6,026	(33,302)	6,026
Other reserves	25	2,861,353	1,978,798	212,351	212,351
Retained earnings		9,282,138	9,156,806	19,765	717,839
Equity attributable to:					
Owners of the holding company		44,633,283	43,552,291	33,873,514	34,610,916
Non-controlling interests	16	4,067,517	4,054,763	-	-
Total equity		48,700,800	47,607,054	33,873,514	34,610,916

These financial statements were approved by the board of directors, authorised for issue on 24 April, 2019 and signed on its behalf by:


Melo Hili
Chairman


Victor Tedesco
Director

Statement of changes in equity

Year ended 31 December 2018

Group

	Share capital	Exchange translation reserve	Fair value reserve	Other reserves	Retained earnings	Attributable to owners of the holding company	Non-controlling interests	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Balance at 1 January 2017	33,674,700	(209,693)	366,588	(496,179)	5,386,626	38,722,042	2,907,536	41,629,578
Dividends (Note 12)	-	-	-	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Dividends paid to non-controlling interests (Note 12)	-	-	-	-	-	-	(497,596)	(497,596)
Profit for the year	-	-	-	-	14,245,157	14,245,157	1,644,823	15,889,980
Other comprehensive expense for the year	-	(1,054,346)	(360,562)	-	-	(1,414,908)	-	(1,414,908)
Total comprehensive income for the year	-	(1,054,346)	(360,562)	-	14,245,157	12,830,249	1,644,823	14,475,072
Movement in other reserves (Note 25)	-	-	-	2,474,977	(2,474,977)	-	-	-
Balance at 1 January 2018	33,674,700	(1,264,039)	6,026	1,978,798	9,156,806	43,552,291	4,054,763	47,607,054
Dividends (Note 12)	-	-	-	-	(15,000,000)	(15,000,000)	-	(15,000,000)
Dividends paid to non-controlling interests (Note 12)	-	-	-	-	-	-	(1,719,090)	(1,719,090)
Profit for the year	-	-	-	-	16,007,887	16,007,887	1,873,020	17,880,907
Other comprehensive expense allocated to non-controlling interest	-	138,302	-	-	-	138,302	(138,302)	-
Other comprehensive expense for the year	-	(25,869)	(39,328)	-	-	(65,197)	(2,874)	(68,071)
Total comprehensive income for the year	-	112,433	(39,328)	-	16,007,887	16,080,992	1,731,844	17,812,836
Movement in other reserves (Note 25)	-	-	-	882,555	(882,555)	-	-	-
Balance at 31 December 2018	33,674,700	(1,151,606)	(33,302)	2,861,353	9,282,138	44,633,283	4,067,517	48,700,800

Statement of changes in equity

Year ended 31 December 2018

Holding Company

	Share capital	Fair value reserve	Other reserve	Retained earnings	Total
	Eur	Eur	Eur	Eur	Eur
Balance at 1 January 2017	33,674,700	366,588	212,351	1,055,921	35,309,560
Dividends (Note 12)	-	-	-	(8,000,000)	(8,000,000)
Profit for the year	-	-	-	7,661,918	7,661,918
Other comprehensive expense for the year	-	(360,562)	-	-	(360,562)
Total comprehensive income for the year	-	(360,562)	-	7,661,918	7,301,356
Balance at 1 January 2018	33,674,700	6,026	212,351	717,839	34,610,916
Dividends (Note 12)	-	-	-	(15,000,000)	(15,000,000)
Profit for the year	-	-	-	14,301,926	14,301,926
Other comprehensive expense for the year	-	(39,328)	-	-	(39,328)
Total comprehensive income for the year	-	(39,328)	-	14,301,926	14,262,598
Balance at 31 December 2018	33,674,700	(33,302)	212,351	19,765	33,873,514

Statements of cash flows

Year ended 31 December 2018

	Group		Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Cash flows from operating activities				
Profit before tax	22,997,426	19,964,966	16,621,038	8,297,865
<i>Adjustments for:</i>				
Depreciation and amortisation	12,386,522	11,644,665	622,796	628,392
Interest expense	3,881,358	4,333,930	2,584,679	3,119,859
Interest income	(930,525)	(684,264)	(1,606,521)	(1,691,016)
Amortisation of bond issue expenses	93,658	105,722	93,658	105,722
Gain on derivative financial instrument	(1,867)	-	-	-
Loss on disposal of property, plant and equipment and intangible assets	364,486	692,135	451	1,688
Gain on disposal of available-for-sale investments	-	(302,560)	-	(302,560)
Dividend income from subsidiaries	-	-	(22,300,000)	(13,500,000)
Reversal of impairment loss on property, plant and equipment	(5,911)	(55,753)	-	-
Impairment of property, plant and equipment	39,886	58,430	-	-
Operating profit/(loss) before working capital movement	38,825,033	35,757,271	(3,983,899)	(3,340,050)
Movement in inventories	(1,119,608)	(148,597)	-	-
Movement in trade and other receivables	(1,844,118)	(995,102)	(266,213)	1,212,089
Movement in trade and other payables	9,258,864	(936,263)	253,483	(1,143,162)
Cash flows from operations	45,120,171	33,677,309	(3,996,629)	(3,271,123)
Interest paid	(3,707,140)	(4,359,307)	(2,516,460)	(2,863,367)
Income tax paid	(3,732,373)	(4,665,906)	(1,711,177)	(324,686)
<i>Net cash flows from / (used in) operating activities</i>	37,680,658	24,652,096	(8,224,266)	(6,459,176)
Cash flows from investing activities				
Purchase of property, plant and equipment	(20,490,634)	(12,628,303)	(8,508)	(18,164)
Proceeds from sale of property, plant and equipment	69,572	187,071	-	-
Purchase of intangible assets	(554,192)	(1,114,493)	-	-
Purchase of financial assets at fair value through other comprehensive income (2017 - available-for-sale investments)	(4,898)	(884,671)	(4,898)	(884,671)
Proceeds from disposal of available-for-sale investments	-	3,411,402	-	3,411,402
Advances to subsidiaries	-	-	(972,335)	(13,146,536)
Settlement from subsidiaries	-	-	3,159,455	8,330,647
Advances to related parties	(4,492,031)	(3,661,306)	-	(2,595,855)
Settlement from related parties	929,851	1,378,328	-	46,249
Advances to ultimate parent	(555,066)	(14,001,198)	(554,918)	(13,949,109)
Settlement from ultimate parent	556,316	5,552,308	522,266	449,109
Settlement of deferred consideration	-	(5,630,174)	-	-
Dividends received from subsidiary	-	-	13,000,000	1,000,000
Interest received	785,543	519,838	1,203,777	1,011,617
<i>Net cash flows (used in) / from investing activities</i>	(23,755,539)	(26,871,198)	16,344,839	(16,345,311)
Cash flows from financing activities				
Redemption of 6.8% Bonds	-	(7,396,100)	-	(7,396,100)
Repayment of bank borrowings	(4,911,647)	(47,179,250)	-	-
Drawdowns from bank facilities	10,000,000	29,557,180	-	-
Dividends paid to ultimate parent	(6,000,000)	(8,000,000)	(6,000,000)	(8,000,000)
Dividends paid to non-controlling interests	(374,419)	(497,596)	-	-
Movement in other financial liabilities	(375,503)	(4,677,353)	2,804,948	(4,634,031)
<i>Net cash flows used in financing activities</i>	(1,661,569)	(38,193,119)	(3,195,052)	(20,030,131)
Net movement in cash and cash equivalents	12,263,550	(40,412,221)	4,925,521	(42,834,618)
Cash and cash equivalents at the beginning of the year	21,221,915	62,113,317	162,469	42,997,087
Exchange differences on translation of foreign operations	86,383	(479,181)	-	-
Cash and cash equivalents at the end of the year (note 26)	33,571,848	21,221,915	5,087,990	162,469

1. Company information and basis of preparation

Premier Capital plc is a public limited company incorporated in Malta with registration number C36522. The registered address of the holding company is Nineteen Twenty Three, Valletta Road, Marsa. As disclosed in note 23, it has issued bonds which are listed on the Malta Stock Exchange.

The financial statements of the holding company and consolidated financial statements of the group have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income which are stated at their fair values and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). They have been prepared under the assumption that the group operations on a going concern basis. The significant accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the holding company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). A subsidiary is an entity that is controlled by the company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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.

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.

2. Significant accounting policies (continued)

Business combinations (continued)

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 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 IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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.

2. Significant accounting policies (continued)

Goodwill (continued)

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. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

At each balance sheet date, the company reviews the carrying amount of its investments in subsidiaries and associates to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

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 company's property, plant and equipment are classified into furniture, fixtures and other equipment.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment are initially measured at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the group's management. 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.

Improvements to premises incorporate all costs incurred, including acquisition costs and other costs attributable to bring the leased premises to the design, specifications and conditions requested by McDonalds. Subsequent to initial recognition, improvements to premises 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 when no future economic benefits are expected from their use or upon 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 within administrative expenses in the period of derecognition.

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.

2. Significant accounting policies (continued)

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.

Intangibles are derecognised when no future economic benefits are expected from their use or upon 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 within administrative expenses 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 instalments 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.

2. Significant accounting policies (continued)

Intangible assets (continued)

(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) Franchise fees

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

Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

2. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Classification and initial measurement of financial assets (continued)

In the periods presented the group does not have any financial assets categorised as FVTPL.

The classification is determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(iii) Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

2. Significant accounting policies (continued)

Financial instruments (continued)

- (iv) Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The group's AFS financial assets include listed equity securities and debentures.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

Equity investments classified as available-for-sale financial assets under IAS 39 have been classified as being at FVOCI under IFRS 9. All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not recycled to profit or loss. Previously, under IAS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

- (v) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

2. Significant accounting policies (continued)

Financial instruments (continued)

(v) Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics. As at the end of the reporting period, the group's receivables have been assessed for impairment and are not significantly impaired to disclose within these financial statements.

2. Significant accounting policies (continued)

Financial instruments (continued)

(vi) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(vii) Derivative financial instruments

Derivative financial are accounted for at FVTPL unless they are designated as 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 and 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.

2. Significant accounting policies (continued)

Provisions, contingent assets and contingent liabilities

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.

Any reimbursement that the group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Impairment testing of goodwill, other intangible assets, property, plant and equipment and long-term prepayments

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

2. Significant accounting policies (continued)

Impairment testing of goodwill, other intangible assets, property, plant and equipment and long-term prepayments (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Impairment losses are recognised immediately in profit or loss.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold or services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met:

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, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

2. Significant accounting policies (continued)

Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

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.

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.

During the current financial year, the group adopted IFRS 15 *Revenue from Contracts with Customers* which became effective on 1 January 2018. However, this Standard had no impact on the group's recognition of revenue.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

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.

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2. Significant accounting policies (continued)

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.

Taxation

Current and deferred tax is recognised in 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 liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognised if the temporary difference arises 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.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries 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 where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

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

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

Deferred tax assets and liabilities are offset when the group 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.

2. Significant accounting policies (continued)

Foreign currency translation

The financial statements of the holding company and the consolidated financial statements of the group 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 measured.

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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Euro at the closing rate. Exchange differences are recognised in other comprehensive income and 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.

Notes to the financial statements

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2. Significant accounting policies (continued)

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.

Prepayments

Long term prepayments represent advance payments of rent or guarantee deposits made by the group in order to secure the lease on rented premises on which the McDonalds' restaurants are situated. Once the lease on the rented premises is terminated, the advance payment or guarantee deposit is released, and it is no longer recognised within long term prepayments in the statement of financial position. Long term prepayment for the holding company mainly represents a guarantee deposit made for the provision of a private jet (refer to note 30).

Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued. Other components of equity include the following:

- (i) Exchange translation reserves comprises foreign currency translation differences arising from the translation of transactions and balances of the group's foreign entities into Euros
- (ii) Fair value reserve comprises movement in fair value of financial assets measured at fair value through other comprehensive income
- (iii) Other reserves - refer to note 25.

Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

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

Dividends to holders of equity instruments, or of the equity component of a financial instrument issued by the company, are recognised directly in 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 profit or loss and other comprehensive income with finance costs.

Notes to the financial statements

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

Other than as disclosed below, 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.

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

Reconciliation of reported goodwill is presented below:

	Group Eur
Cost	
At 01.01.2017	25,679,138
Difference on exchange on foreign operations	(231,288)
At 31.12.2017	25,447,850
Difference on exchange on foreign operations	(7,975)
At 31.12.2018	25,439,875

The carrying amount of goodwill as at 31 December 2018 amounting to *Eur25,439,875* (2017 - *Eur25,447,850*) is allocated *Eur16,591,999* (2017 - *Eur16,591,999*) to the Malta operations and *Eur8,847,876* (2017 - *Eur8,855,851*) to the Romania operations. Since goodwill for Romania operations is denominated in Romanian Lei, movement in foreign exchange differences negatively impacted the carrying amount of the goodwill by *Eur7,975* (2017 - *Eur231,288*).

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

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.

CGUs for Malta operations

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

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of 1.5% (2017 – 1.5%); and
- use of 9.29% (pre-tax) (2017 – 9.89%) to discount the projected cash flows to net present values.

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

CGUs for Romania operations

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

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of 2.0% (2017 – 2.0%); and
- use of 10.57% (pre-tax) (2017 – 12.12%) to discount the projected cash flows to net present values.

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

Notes to the financial statements

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4. New or revised Standards or Interpretations

New standards adopted as at 1 January 2018

(i) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* and the related *Clarifications to IFRS 15 Revenue from Contracts with Customers* (hereinafter referred to as IFRS 15) replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue related Interpretations. Application of the standard is mandatory for periods beginning on 1 January 2018, with earlier adoption being permitted. In accordance with transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018. Upon assessment, the directors of the group and holding company concluded that the adoption of IFRS 15 did not have an impact on the amounts reported and disclosures made in these financial statements.

(ii) IFRS 9 – Financial instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the group and holding company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- Investments in listed debt securities previously classified as available for sale investments under IAS 39 are now measured at fair value through other comprehensive income as the cash flows are not solely payments of principal and interest
- The group has made an irrevocable election to classify the investments in listed equity securities, also previously classified as available for sale investments, at fair value through other comprehensive income rather than through profit or loss as the group considers the measurement to be the most representative of the business model of these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in fair value reserve in equity. Upon disposal, any balance within the fair value reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

On the date of initial application, 1 January 2018, all available for sale investments were classified to financial assets at fair value through other comprehensive income. There were no changes to the carrying amounts of the assets as a result of the reclassification.

Notes to the financial statements

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4. New or revised Standards or Interpretations (continued)

New standards adopted as at 1 January 2018 (continued)

(ii) IFRS 9 – Financial instruments (continued)

Except for the financial assets mentioned above, there were no other changes to the classification or measurement of financial assets as a result of the application of IFRS 9.

Initial application of IFRS 9 did not result to any changes to the classification or measurement of financial liabilities.

(iii) IFRIC 22 - Foreign Currency Transactions and Advance Consideration

This Amendment clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted.

The directors assessed the potential implications of IFRIC 22 in the period of initial application and concluded that the application of IFRIC 22 has no impact on the group's and holding company's financial statements.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group

At the date of authorisation of these financial statements, several new, but not yet effective Standards, amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the group's financial statements.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 *Leases and related interpretations*. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 has been endorsed by the EU and is effective for periods beginning on or after 1 January 2019. Early adoption is permitted; however, the group have decided not to early adopt.

Notes to the financial statements

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4. New or revised Standards or Interpretations (continued)

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group (continued)

IFRS 16 – Leases (continued)

Management is in the process of assessing the full impact of the standard. So far, the group:

- has performed a full review of existing leases and concluded that these will be recognised on the statement of financial position as a right-of-use asset and a lease liability
- believes that the most significant impact will be that the group will need to recognise a right-of-use asset and a lease liability for the lease of premises and land currently treated as operating leases. At 31 December 2018, the outstanding commitments under non-cancellable operating leases amounted to *Eur88,829,285*. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach with transition date taken as the lease commencement date. Under this approach, the right-of-use asset equals the lease liability on transition date, and no equity adjustment will be recognised on initial application of IFRS 16. Comparative information is not restated.

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.

Notes to the financial statements

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5. Segment information (continued)

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. Revenue earned by the holding company amounting to *Eur1,092,000* (2017 - *Eur1,104,004*) relates to consultancy and support fees charged to subsidiaries. There were no inter-segment sales in both years presented. The group's reportable segments under IFRS 8 *Operating Segments* are direct sales attributable to each country where it operates as a McDonald's development licensee.

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

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. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The unallocated amounts in the intangible assets line include the support services licence amounting to *Eur5,488,811* which relates to the Baltic market as disclosed in note 13. It is not possible to split this amount between the operating segments of Latvia, Lithuania and Estonia as this was acquired originally for the market as a whole.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

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

Profit or loss before tax

	2018	2017
	Eur	Eur
Total profit for reportable segments	28,874,165	26,556,408
Elimination of inter segment profits	(22,338,871)	(14,163,536)
Unallocated amounts:		
Revenue	1,092,000	1,104,004
Administrative expenses	(5,935,955)	(5,440,450)
Investment Income	23,984,735	15,531,206
Finance costs	(2,676,504)	(3,749,181)
Other unallocated amounts	(2,144)	126,515
	<u>22,997,426</u>	<u>19,964,966</u>

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5. Segment information (continued)

Assets

	2018	2017
	Eur	Eur
Total assets for reportable segments	123,167,548	106,834,553
Elimination of inter segment receivables	(25,939,865)	(18,220,500)
Unallocated amounts:		
Goodwill	25,439,875	25,447,850
Intangible assets	5,488,811	6,098,687
Available for sale financial assets	856,267	890,697
Loans and receivables	39,891,763	37,693,487
Trade and other receivables	879,335	613,122
Cash and cash equivalents	5,087,990	162,469
Other unallocated amounts	4,579,980	1,608,132
	<u>179,451,704</u>	<u>161,128,497</u>

Liabilities

	2018	2017
	Eur	Eur
Total liabilities for reportable segments	35,171,713	25,180,400
Elimination of inter segment payables	112,254	114,218
Unallocated amounts:		
Trade and other payables	1,018,073	764,590
Other financial liabilities	1,636,248	484,183
Current tax liabilities	1,305,457	829,385
Bank borrowings	25,544,518	20,403,808
Debt securities in issue	64,258,540	64,164,882
Deferred tax liabilities	1,782,538	2,000,675
Other unallocated amounts	(78,437)	(420,698)
	<u>130,750,904</u>	<u>113,521,443</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 2018 Eur	Greece 2018 Eur	Latvia 2018 Eur	Lithuania 2018 Eur	Malta 2018 Eur	Romania 2018 Eur	Total 2018 Eur	Unallocated 2018 Eur	Eliminations and Adjustments 2018 Eur	Consolidated 2018 Eur
Continuing operations										
Revenue	22,628,664	33,042,177	23,281,193	26,616,935	24,504,197	163,576,612	293,649,778	-	-	293,649,778
Profit before tax	2,709,903	490,918	1,955,086	2,045,677	1,422,977	20,249,604	28,874,165	16,462,132	(22,338,871)	22,997,426
Depreciation and amortisation	974,112	1,497,326	1,167,983	1,180,316	1,233,090	5,479,904	11,532,731	622,796	230,995	12,386,522
Segment assets	8,554,573	10,209,858	21,562,962	8,348,118	8,650,530	65,841,507	123,167,548	82,224,021	(25,939,865)	179,451,704
Property, plant and equipment	4,575,782	9,963,995	7,039,813	8,423,575	3,896,764	49,983,162	83,883,091	31,947	(176,121)	83,738,917
Intangible assets	45,975	257,229	293,772	373,187	343,564	2,673,726	3,987,453	5,488,811	66,869	9,543,133
Capital expenditure	772,053	3,538,046	1,877,385	2,185,136	281,266	11,507,638	20,161,524	8,508	874,794	21,044,826
Segment liabilities	2,885,257	6,261,192	4,707,936	2,084,490	3,984,784	15,248,054	35,171,713	95,466,937	112,254	130,750,904
Income tax expense	650,000	278,003	-	336,954	531,538	1,346,195	3,142,690	2,319,112	(345,283)	5,116,519

Notes to the financial statements
31 December 2018

5. Segment Information (continued)

	Estonia 2017 Eur	Greece 2017 Eur	Latvia 2017 Eur	Lithuania 2017 Eur	Malta 2017 Eur	Romania 2017 Eur	Total 2017 Eur	Unallocated 2017 Eur	Eliminations and Adjustments 2017 Eur	Consolidated 2017 Eur
Continuing operations										
Revenue	20,740,221	29,023,837	21,385,613	22,372,727	22,799,744	147,098,321	263,420,463	-	-	263,420,463
Profit before tax	2,667,730	144,068	1,369,303	2,352,829	1,142,463	18,880,015	26,556,408	7,572,094	(14,163,536)	19,964,966
Depreciation and amortisation	925,452	1,544,167	1,145,919	946,653	1,269,608	5,176,000	11,007,799	628,391	8,475	11,644,665
Segment assets	8,571,521	8,211,849	9,627,839	8,739,662	8,251,067	63,432,615	106,834,553	72,514,444	(18,220,500)	161,128,497
Property, plant and equipment	4,821,451	7,995,275	6,352,752	7,599,094	4,838,443	44,039,571	75,646,586	36,810	(828,395)	74,855,001
Intangible assets	25,254	264,719	333,647	259,649	354,648	2,879,727	4,117,644	6,098,687	75,344	10,291,675
Capital expenditure	1,021,753	1,259,828	644,985	2,661,811	495,165	7,641,090	13,724,632	18,164	-	13,742,796
Segment liabilities	2,362,108	4,476,098	3,674,849	1,784,757	3,826,761	9,055,827	25,180,400	88,226,825	114,218	113,521,443
Income tax expense	1,075,000	(45,001)	(254,612)	372,806	419,973	1,710,585	3,278,751	848,396	(52,161)	4,074,986

Notes to the financial statements

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6. Investment income

	2018	Group	Holding Company	
	2017	2018	2017	
	Eur	Eur	Eur	Eur
Interest income on bank deposits	151,423	26,978	-	-
Interest income from subsidiaries	-	-	905,503	1,121,359
Interest income from ultimate parent	550,788	497,904	550,788	447,904
Interest income from other related parties	190,584	133,485	112,500	95,856
Gain on derivative financial instrument	1,867	-	-	-
Gain on available-for-sale investments	-	302,560	-	302,560
Other interest income	37,730	25,897	37,730	25,897
Dividends from investments in subsidiaries	-	-	22,300,000	13,500,000
	<u>932,392</u>	<u>986,824</u>	<u>23,906,521</u>	<u>15,493,576</u>

7. Finance costs

	2018	Group	Holding Company	
	2017	2018	2017	
	Eur	Eur	Eur	Eur
Interest on bank borrowings	1,010,058	1,230,308	-	-
Interest on bonds	2,437,500	2,661,615	2,437,500	2,661,615
Amortisation of bond issue expenses	93,658	105,722	93,658	105,722
Interest on amounts payable to subsidiaries	-	-	68,219	362,214
Bank commissions	19,113	85,404	-	-
Loss on derivate financial instrument	174,895	116,495	-	-
Other finance costs	239,792	240,108	78,960	96,030
	<u>3,975,016</u>	<u>4,439,652</u>	<u>2,678,337</u>	<u>3,225,581</u>

Notes to the financial statements

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8. Profit before tax

A list of expenses by nature making up the cost of sales, selling expenses and administrative expenses of the group and holding company is set out below.

	Group		Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Raw materials and consumables used	99,113,284	89,405,894	-	-
Changes in inventories of raw materials and consumables used	(1,119,608)	(148,597)	-	-
Advertising, promotion and other distribution costs	18,838,274	16,484,037	-	-
Amortisation of intangible assets (note 13)	1,291,022	1,086,656	609,876	615,980
Depreciation of property, plant and equipment (note 14)	11,095,500	10,558,009	12,920	12,412
Legal and professional fees	1,170,337	1,156,240	32,844	26,377
Management fees payable to ultimate parent (note 9)	360,000	360,000	360,000	360,000
Operating lease rentals (note 30)	14,164,604	12,567,083	831,001	798,762
Operating supplies	6,976,412	6,021,282	-	-
Royalties	19,054,343	16,575,121	-	-
Maintenance and repairs	4,289,028	3,782,112	-	-
Travelling expenses	3,346,303	2,688,221	1,930,533	1,638,903
Utilities and telephone expenses	8,135,931	7,655,848	31,816	32,148
Directors emoluments	600,951	531,618	600,951	531,618
Wages and salaries (note 10)	75,276,341	66,574,646	844,580	833,194
Staff training	375,566	304,091	310,668	220,090
Office and general expenses	3,244,761	2,687,881	21,726	39,436
Other expenses	3,031,905	2,517,894	112,231	93,051
Total	269,244,954	240,808,036	5,699,146	5,201,971

Notes to the financial statements

31 December 2018

8. Profit before tax (continued)

Operating profit/(loss) is stated after charging/(crediting) the following:

	2018	Group	Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Net exchange differences	91,864	15,127	-	-
Loss on disposal of property, plant and equipment	364,486	692,135	451	1,688
Impairment loss on property, plant and equipment	39,886	58,430	-	-
Reversal of impairment loss on property, plant and equipment	(5,911)	(55,753)	-	-

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 *Eur45,000* (2017 – *Eur46,200*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur146,570* (2017 – *Eur129,759*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur2,270* (2017 – *Eur4,540*) and *EurNil* (2017 – *Eur3,900*) respectively.

Holding Company

Total remuneration payable to the parent company's auditors for the audit of the holding company and group's financial statements amounted to *Eur25,000* (2017 – *Eur26,400*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur680* (2017 – *Eur2,010*) and *EurNil* (2017 – *Eur3,900*) respectively.

Notes to the financial statements

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9. Key management personnel compensation

	Group and Holding Company	
	2018	2017
	Eur	Eur
<i>Directors' compensation:</i>		
Short term benefits:		
Directors' remuneration	600,951	531,618
<i>Other key management personnel compensation:</i>		
Short term benefits:		
Salaries and social security contribution	565,073	359,157
	<u>1,166,024</u>	<u>890,775</u>

During the year under review, the holding company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to *Eur*7,958 (2017 – *Eur*11,579). These amounts are included within administrative expenses.

Included within administrative expenses, are also management fees payable to the ultimate parent company amounting to *Eur*360,000 (2017 – *Eur*360,000).

10. Staff costs and employee information

	2018	Group	Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
<i>Staff costs:</i>				
Wages and salaries	66,727,480	53,735,280	870,991	815,672
Social security costs	8,548,861	12,884,033	19,680	17,522
	<u>75,276,341</u>	<u>66,619,313</u>	<u>890,671</u>	<u>833,194</u>
Recharged to related parties	-	(44,667)	(46,091)	-
	<u>75,276,341</u>	<u>66,574,646</u>	<u>844,580</u>	<u>833,194</u>

The above staff costs are exclusive of the directors' emoluments.

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

	2018	Group	Holding Company	
	2018	2017	2018	2017
	Number	Number	Number	Number
Operations	6,298	5,921	-	-
Administration	206	213	12	11
	<u>6,504</u>	<u>6,134</u>	<u>12</u>	<u>11</u>

Notes to the financial statements

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11. Income tax expense

	2018	Group	Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Current tax expense	5,195,839	4,278,072	2,537,249	856,418
Consideration paid for tax losses surrendered from related parties	141,507	434,947	-	-
Deferred tax credit	(220,827)	(638,033)	(218,137)	(220,471)
	<u>5,116,519</u>	<u>4,074,986</u>	<u>2,319,112</u>	<u>635,947</u>

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

	2018	Group	Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Profit before tax	<u>22,997,426</u>	<u>19,964,966</u>	<u>16,621,038</u>	<u>8,297,865</u>
Tax at the applicable rate of 35%	8,049,099	6,987,738	5,817,363	2,904,253
<i>Tax effect of:</i>				
Non-deductibility of depreciation and amortisation	(187,319)	(534,512)	(158)	-
Effect of write off foreign tax	16,006	25,121	16,006	25,121
Effect of interest charged at 15%	(6,039)	(7,154)	(6,039)	(7,154)
Deferred tax not accounted for	-	178,673	-	-
Disallowable expenses	118,807	227,595	12,608	13,373
Effect of different tax rates of subsidiaries	(955,486)	(1,870,947)	-	-
Effect of flat rate foreign tax credit	(3,520,668)	(2,193,750)	(3,520,668)	(2,193,750)
Fair value gain not taxed	-	(105,896)	-	(105,896)
Effect of reduction in foreign tax rates	81,819	-	-	-
Profits not chargeable to tax and tax exemptions	876,025	1,007,878	-	-
Other permanent differences	644,275	360,240	-	-
Income tax expense for the year	<u>5,116,519</u>	<u>4,074,986</u>	<u>2,319,112</u>	<u>635,947</u>

The tax rate used for the 2018 and 2017 reconciliations is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in Malta.

Notes to the financial statements

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12. Dividends

Group and Holding Company

In respect of the current year a net interim dividend of *Eur15,000,000* (*Eur44.54c* per ordinary share) (2017 – *Eur8,000,000* (*Eur23.76c* per ordinary share)) was declared to the ordinary shareholders of the holding company, out of which *Eur8,500,000* were converted into dividends from loans and set-off of assigned debts to ultimate parent (note 16e) and *Eur500,000* are still due as at the end of the reporting period (note 21).

Furthermore, dividends amounting to *Eur22,300,000* (*Eur66.22c* per ordinary share) (2017 – *Eur13,500,000* (*Eur40.09c* per ordinary share)) were paid by the direct subsidiaries, none of which were attributable to non-controlling interests. Dividends amounting to *Eur23,190,903* (*Eur68.87c* per ordinary share) (2017 – *Eur14,475,960* (*Eur42.99c* per ordinary share)) were paid by the indirect subsidiaries, of which *Eur1,719,090* (2017 - *Eur497,596*) were attributable to non-controlling interest.

Notes to the financial statements

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13. Intangible assets

Group

	Support services licence Eur	Computer software Eur	Acquired rights and franchise fee Eur	Other intangibles Eur	Total Eur
Cost					
At 01.01.2017	12,366,964	768,780	4,266,880	9,096	17,411,720
Additions	-	1,033,558	80,935	-	1,114,493
Disposals	-	(13,636)	-	-	(13,636)
Transfers	-	982	-	(982)	-
Exchange differences	-	(26,362)	(66,675)	(339)	(93,376)
At 01.01.2018	12,366,964	1,763,322	4,281,140	7,775	18,419,201
Additions	-	439,297	114,895	-	554,192
Disposals	-	(4,337)	(14,682)	-	(19,019)
Exchange differences	-	(1,664)	(2,299)	(12)	(3,975)
At 31.12.2018	12,366,964	2,196,618	4,379,054	7,763	18,950,399
Amortisation					
At 01.01.2017	5,565,150	438,626	1,071,953	283	7,076,012
Provision for the year	618,351	173,401	294,606	298	1,086,656
Released on disposal	-	(13,632)	-	-	(13,632)
Exchange differences	-	(8,260)	(13,108)	(142)	(21,510)
At 01.01.2018	6,183,501	590,135	1,353,451	439	8,127,526
Provision for the year	618,351	378,614	293,763	294	1,291,022
Released on disposal	-	(4,226)	(5,226)	-	(9,452)
Exchange differences	-	(821)	(1,001)	(8)	(1,830)
At 31.12.2018	6,801,852	963,702	1,640,987	725	9,407,266
Carrying amount					
At 31.12.2017	6,183,463	1,173,187	2,927,689	7,336	10,291,675
At 31.12.2018	5,565,112	1,232,916	2,738,067	7,038	9,543,133

Notes to the financial statements

31 December 2018

13. Intangible assets (continued)

Holding Company

	Support services licence Eur	Computer Software Eur	Total Eur
Cost			
At 01.01.2017 / 31.12.2018	12,197,438	190,939	12,388,377
Amortisation			
At 01.01.2017	5,488,875	184,835	5,673,710
Provision for the year	609,876	6,104	615,980
At 01.01.2018	6,098,751	190,939	6,289,690
Provision for the year	609,876	-	609,876
At 31.12.2018	6,708,627	190,939	6,899,566
Carrying amount			
At 31.12.2017	6,098,687	-	6,098,687
At 31.12.2018	5,488,811	-	5,488,811

The amortisation expense on intangible assets has been included in the line item 'Administrative expenses' in the statement of profit or loss and other comprehensive income.

The acquired rights and franchise fees in relation to the group with a carrying amount of *Eur2,738,067* (2017 – *Eur2,927,689*) are amortised over the term of the franchise agreements in place with Mc Donalds's Corporation to operate the Mc Donald's brand in all markets. Generally, amortisation period is twenty years.

Computer software for the group with a carrying amount of *Eur1,232,916* (2017 – *Eur1,173,187*) mainly relates to a new ERP system invested into by the Romania segment during the year to improve the business operations and obtain efficiencies in reporting. The amortisation period is over five years.

The support services licence owned by the group and the holding company with a carrying amount of *Eur5,488,811* (2017 – *Eur6,098,687*) will be fully amortised within ten years, and relates to the licence paid to Mc Donald's Corporation to operate the Mc Donald's brand in the Baltic countries.

Notes to the financial statements

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14. Property, plant and equipment

Group

	Land and buildings Eur	Improvements to premises Eur	Motor vehicles Eur	Plant and equipment Eur	Other equipment Eur	Total Eur
Cost						
At 01.01.2017	49,330,352	16,050,490	1,008,282	42,927,910	9,333,650	118,650,694
Additions	1,561,552	2,328,587	308,415	5,331,424	3,098,325	12,628,303
Disposals	(438,546)	(18,143)	(286,622)	(1,387,486)	(1,082,157)	(3,212,954)
Transfers	983,649	(542,960)	-	336,047	(776,736)	-
Exchange differences	(821,655)	(89,187)	(31,547)	(798,985)	(13,167)	(1,754,541)
At 01.01.2018	50,615,352	17,728,787	998,528	46,408,910	10,559,915	126,311,502
Additions	3,857,057	5,600,564	388,367	8,280,016	2,364,620	20,490,634
Disposals	(518,791)	(757,364)	(142,075)	(1,596,575)	(621,777)	(3,636,582)
Transfers	67,410	94,219	-	(7,143)	(154,486)	-
Exchange differences	(33,727)	(8,997)	(1,627)	(39,321)	(411)	(84,083)
At 31.12.2018	53,987,321	22,657,209	1,243,193	53,045,887	12,147,861	143,081,471
Accumulated depreciation						
At 01.01.2017	10,842,631	8,414,823	349,363	18,046,782	6,132,768	43,786,417
Provision for the year	2,544,035	890,267	210,444	4,671,722	2,241,541	10,558,009
Released on disposal	(18,210)	(1,653)	(238,240)	(1,178,649)	(841,247)	(2,277,999)
Transfers	252,986	(252,600)	1,953	7,207	(9,546)	-
Impairment	-	24	(1,953)	60,359	-	58,430
Reversal of impairment	(232)	-	-	(55,521)	-	(55,753)
Exchange differences	(70,459)	(12,742)	(13,843)	(508,403)	(7,156)	(612,603)
At 01.01.2018	13,550,801	9,038,119	307,724	21,043,497	7,516,360	51,456,501
Provision for the year	2,578,692	1,317,393	226,701	4,801,249	2,171,465	11,095,500
Released on disposal	(391,573)	(679,089)	(123,188)	(1,456,946)	(561,295)	(3,212,091)
Transfers	-	-	-	911	(911)	-
Impairment	-	-	-	39,886	-	39,886
Reversal of impairment	-	(944)	-	(4,967)	-	(5,911)
Exchange differences	(6,370)	(1,304)	(686)	(22,576)	(395)	(31,331)
At 31.12.2018	15,731,550	9,674,175	410,551	24,401,054	9,125,224	59,342,554
Carrying amount						
At 31.12.2017	37,064,561	8,690,668	690,804	25,365,413	3,043,555	74,855,001
At 31.12.2018	38,255,771	12,983,034	832,642	28,644,833	3,022,637	83,738,917

Notes to the financial statements

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14. Property, plant and equipment (continued)

Group (continued)

No interest has been capitalised by the group during 2018 and 2017. The group's property, plant and equipment with a carrying amount of *Eur45m* (2017 – *Eur36m*) are held as security in connection with bank borrowings.

Impairment losses on property, plant and equipment

The impairment losses on property, plant and equipment recognised in the statement of profit or loss and other comprehensive income during the year amounted to *Eur39,886* (2017 – *Eur58,430*). These impairment losses on property, plant and equipment are included within administrative expenses and relate to the Romanian segment. In addition, certain property, plant and equipment in Romania which were previously impaired, were re-utilised during the year in operations. As a result, an impairment amount of *Eur5,911* (2017 – *Eur55,753*) was reversed and is being shown within administrative expenses.

Holding Company

	Furniture, fixtures and other equipment Eur
Cost	
At 01.01.2017	162,903
Additions	18,164
Disposals	(7,736)
At 01.01.2018	173,331
Additions	8,508
Disposals	(2,963)
At 31.12.2018	178,876
Accumulated depreciation	
At 01.01.2017	130,157
Provision for the year	12,412
Released on disposal	(6,048)
At 01.01.2018	136,521
Provision for the year	12,920
Released on disposal	(2,512)
At 31.12.2018	146,929
Carrying amount	
At 31.12.2017	36,810
At 31.12.2018	31,947

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15. Deferred taxation

Group

	Opening balance Eur	Recognised in profit and loss Eur	Closing balance Eur
Deferred tax assets			
2017			
Arising on:			
Temporary differences on property, plant and equipment	66,500	284,732	351,232
Unused tax losses	138,087	(78,822)	59,265
Other temporary differences	598,190	(408,846)	189,344
	<u>802,777</u>	<u>(202,936)</u>	<u>599,841</u>
2018			
Arising on:			
Temporary differences on property, plant and equipment	351,232	72,780	424,012
Unused tax losses	59,265	(59,265)	-
Other temporary differences	189,344	(10,825)	178,519
	<u>599,841</u>	<u>2,690</u>	<u>602,531</u>
Deferred tax liabilities			
2017			
Arising on:			
Temporary differences on			
- intangible assets	2,221,146	(220,471)	2,000,675
- property, plant and equipment	690,075	(690,075)	-
Other temporary differences	(69,577)	69,577	-
	<u>2,841,644</u>	<u>(840,969)</u>	<u>2,000,675</u>
2018			
Arising on:			
Temporary differences on intangible assets	<u>2,000,675</u>	<u>(218,137)</u>	<u>1,782,538</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 Eur5,256,511 (2017 – Eur4,846,239).

Notes to the financial statements

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15. Deferred taxation (continued)

Holding Company

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax liabilities			
2017			
<i>Arising on:</i>			
Temporary differences on intangible assets	2,221,146	(220,471)	2,000,675
2018			
<i>Arising on:</i>			
Temporary differences on intangible assets	2,000,675	(218,137)	1,782,538

Notes to the financial statements

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16. Financial assets

(a) Investments in subsidiaries

	Holding Company Investments in subsidiaries Eur
Cost	
At 31.12.2017 / 31.12.2018	<u>56,375,780</u>

Details of the share capital, reserves and profit for the year for the holding company's direct subsidiaries are as follows:

Name of subsidiary	Share capital and reserves 2018 Eur	Profit for the year 2018 Eur	Share capital and reserves 2017 Eur	Profit for the year 2017 Eur
Premier Capital B.V.	<u>36,486,501</u>	<u>20,824,085</u>	<u>36,962,416</u>	<u>13,221,824</u>
Premier Restaurants Malta Limited	<u>4,010,701</u>	<u>823,382</u>	<u>3,837,319</u>	<u>665,635</u>

Notes to the financial statements

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16. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Details of the holding company's subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Registered address	Proportion of ownership interests and voting rights held by owners of the holding company		Holding	Principal activity
		2018 %	2017 %		
Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Indirect	Operates McDonald's restaurants in Malta
AS Premier Restaurants Eesti	Tartu mnt 13, Kesklinna district, Tallinn city, Harju county, 10145, Estonia	99.99	99.99	Indirect	Operates McDonald's restaurants in Estonia
Premier Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Indirect	Holding Company
Premier Capital B.V.	Strawinskylaan 3127, 8th floor, 1007 ZX Amsterdam, The Netherlands	99.99	99.99	Direct	Holding Company
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States	89.99	89.99	Indirect	Holding Company
Premier Capital Hellas S.A.	59, Al. Panagoulis Street, 15343 Agia Paraskevi, Athens Greece	99.99	99.99	Indirect	Operates McDonald's restaurants in Greece
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	89.99	89.99	Indirect	Holding Company
Premier Restaurants Malta Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Direct	Operates McDonald's restaurants in Malta
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	89.99	89.99	Indirect	Operates McDonald's restaurants in Romania
Premier Restaurants, UAB	Tilto g. 1, Vilnius LT-01101, Lithuania	99.99	99.99	Indirect	Operates McDonald's restaurants in Lithuania
"Premier Restaurants Latvia" SIA	6, Dunties Street, Riga LV-1013, Latvia	99.99	99.99	Indirect	Operates McDonald's restaurants in Latvia

Notes to the financial statements
31 December 2018

16. Financial assets (continued)

(b) Non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Registered address	Proportion of ownership interests and voting rights held by non- controlling interests		Profit / (loss) allocated to non- controlling interests		Accumulated non-controlling interests	
		2018 %	2017 %	2018 Eur	2017 Eur	2018 Eur	2017 Eur
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	10	10	(15,089)	(41,126)	(704,135)	1,068,169
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	10	10	1,890,341	1,716,943	4,911,610	3,119,782
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States	10	10	(2,232)	(30,994)	(73,564)	(66,794)
Individually immaterial subsidiaries with non-controlling interests				-	-	(66,394)	(66,394)
Total				<u>1,873,020</u>	<u>1,644,823</u>	<u>4,067,517</u>	<u>4,054,763</u>

Notes to the financial statements

31 December 2018

16. Financial assets (continued)

(b) Non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Premier Capital SRL

	2018 Eur	2017 Eur
Current assets	10,141,595	261,547
Non-current assets	63,772,955	63,772,955
Current liabilities	(11,960,248)	(2,574,995)
Equity attributable to owners of the Company	62,658,437	60,391,338
Non-controlling interests	(704,135)	1,068,169
	2018 Eur	2017 Eur
Revenue	17,857,242	38,593,770
Expenses	(150,891)	(411,261)
Profit for the year	17,706,351	38,182,509
Profit attributable to owners of the holding company	17,721,440	38,223,635
Loss attributable to owners of the non-controlling interests	(15,089)	(41,126)
Profit for the year	17,706,351	38,182,509
Other comprehensive income/(expense) attributable to owners of the holding company	18,588	(105,084)
Other comprehensive income/(expense) attributable to the non-controlling interests	2,065	(11,676)
Other comprehensive income/(expense) for the year	20,653	(116,760)
Total comprehensive income attributable to owners of the holding company	17,740,028	38,118,551
Total comprehensive expense attributable to the non-controlling interests	(13,024)	(52,802)
Total comprehensive income for the year	17,727,004	38,065,749
Dividends paid to non-controlling interests	1,719,090	497,596
Net cash inflow from operating activities	8,368,565	32,468,350
Net cash outflow from financing activities	(7,812,036)	(32,269,263)
Net cash inflow	556,529	199,087

Notes to the financial statements

31 December 2018

16. Financial assets (continued)

(b) Non-controlling interests (continued)

Premier Restaurants Romania SRL

	2018 Eur	2017 Eur
Current assets	21,947,953	16,002,307
Non-current assets	53,220,208	47,430,308
Current liabilities	(29,068,109)	(12,813,214)
Non-current liabilities	(11,099,450)	(16,646,421)
Equity attributable to owners of the Company	30,088,992	30,853,198
Non-controlling interests	4,911,610	3,119,782
	2018 Eur	2017 Eur
Revenue	163,576,612	147,098,321
Expenses	(143,327,008)	(128,218,306)
Profit for the year	18,903,409	17,169,430
Profit attributable to owners of the holding company	17,013,068	15,452,487
Profit attributable to owners of the non-controlling interests	1,890,341	1,716,943
Profit for the year	18,903,409	17,169,430
Other comprehensive income attributable to owners of the holding company	(1,125)	808,839
Other comprehensive income attributable to the non-controlling interests	(125)	89,871
Other comprehensive income for the year	(1,250)	898,710
Total comprehensive income attributable to owners of the holding company	17,011,943	16,261,326
Total comprehensive income attributable to the non-controlling interests	1,890,216	1,806,814
Total comprehensive income for the year	18,902,159	18,068,140
Net cash inflow from operating activities	28,782,860	18,499,886
Net cash outflow from investing activities	(11,215,566)	(2,392,807)
Net cash outflow from financing activities	(13,407,810)	(15,500,934)
Net cash inflow	4,159,484	606,145

Notes to the financial statements

31 December 2018

16. Financial assets (continued)

(c) *Financial assets at fair value through other comprehensive income (2017 - Available-for-sale investments)*

Group and Holding Company

	Local listed debt Eur	Local listed equities Eur	Total Eur
Fair value			
At 01.01.2017	1,596,154	-	1,596,154
Additions	694,000	190,671	884,671
Decrease in fair value	(66,762)	(21,134)	(87,896)
Disposal	(1,229,566)	-	(1,229,566)
Reversal of fair value on disposal	(272,666)	-	(272,666)
At 01.01.2018	721,160	169,537	890,697
Additions	-	4,898	4,898
Increase / (Decrease) in fair value	5,930	(45,258)	(39,328)
At 31.12.2018	727,090	129,177	856,267

As at 1 January 2017, financial assets were earmarked by the group and holding company to build up the sinking fund in relation to the 6.8% Bonds in accordance with the prospectus (note 23). The carrying amount of these financial assets were classified as non-current assets held for sale due to the liquidation of the sinking fund upon full redemption of the 6.8% Bonds in March 2017. During 2017, the group and holding company disposed of local listed debt classified as non-current assets held for sale amounting to *Eur1,596,154* in 2.3% - 4.5% Malta Government Stock 2028 – 2033 for a value of *Eur1,532,125* and recognised a decrease in fair value of *Eur87,896*.

The carrying amount of financial assets amounting to *Eur856,267* (2017 - *Eur890,697*) represents investments amounting to *Eur727,090* (2017 - *Eur721,160*) in 4% - 5.5% local listed corporate bonds and investments amounting to *Eur129,177* (2017 - *Eur169,537*) in local listed equities. Decrease in fair value recognised through other comprehensive income as at 31 December 2018 amounted to *Eur39,328*.

Notes to the financial statements

31 December 2018

16. Financial assets (continued)

(d) Other financial assets

Group and Holding Company

	Sinking fund Eur
At 01.01.2017	1,866,293
Disposal	(1,866,293)
At 31.12.2017 / 31.12.2018	-

On 1 January 2017, the holding company held funds of *Eur1,866,293* with Equity Wealth Solutions Limited as trustee of the funds allocated to the sinking fund in relation to the 6.8% Bonds in accordance with the prospectus (note 23). The funds bore interest at 2% per annum. Subsequent to the full redemption of the 6.8% Bonds in March 2017, the sinking fund was fully liquidated and the trustee relationship with Equity Wealth Solutions Limited was terminated.

Notes to the financial statements

31 December 2018

16. Financial assets (continued)

(e) Loans and receivables

	Group				Holding Company		
	Loans to other related parties Eur	Loans to ultimate parent Eur	Total Eur	Loan to subsidiaries Eur	Loans to other related parties Eur	Loans to ultimate parent Eur	Total Eur
Amortised cost							
At 01.01.2017	2,262,466	5,063,951	7,326,417	19,289,625	308,191	-	19,597,816
Increase	3,757,162	14,001,198	17,758,360	23,849,531	2,642,104	13,949,109	40,440,744
Formalisation of loans	-	-	-	2,206,930	-	-	2,206,930
Assignment of debts	(46,249)	-	(46,249)	(15,679,749)	(46,249)	-	(15,725,998)
Repayments	(1,378,328)	(5,552,308)	(6,930,636)	(8,330,647)	(46,249)	(449,109)	(8,826,005)
Difference on exchange	(112,196)	(11,425)	(123,621)	-	-	-	-
At 01.01.2018	4,482,855	13,501,416	17,984,271	21,335,690	2,857,797	13,500,000	37,693,487
Increase	1,104,531	555,066	1,659,597	10,212,579	112,500	554,918	10,879,997
Assignment of debts	-	3,500,000	3,500,000	-	-	3,500,000	3,500,000
Repayments	(1,300,878)	(523,830)	(1,824,708)	(3,159,455)	-	(522,266)	(3,681,721)
Conversion to dividends	-	(8,500,000)	(8,500,000)	-	-	(8,500,000)	(8,500,000)
Difference on exchange	(1,715)	-	(1,715)	-	-	-	-
At 31.12.2018	4,284,793	8,532,652	12,817,445	28,388,814	2,970,297	8,532,652	39,891,763
Carrying amount							
At 31.12.2017	4,482,855	13,501,416	17,984,271	21,335,690	2,857,797	13,500,000	37,693,487
Less: Amount expected to be settled within 12 months (shown under current assets)	(2,852,135)	(1,416)	(2,853,551)	(628,409)	(2,857,797)	-	(3,486,206)
Amount expected to be settled after 12 months	1,630,720	13,500,000	15,130,720	20,707,281	-	13,500,000	34,207,281
At 31.12.2018	4,284,793	8,532,652	12,817,445	28,388,814	2,970,297	8,532,652	39,891,763
Less: Amount expected to be settled within 12 months (shown under current assets)	(2,967,629)	(32,652)	(3,000,281)	(1,281,530)	(2,970,297)	(32,652)	(4,284,479)
Amount expected to be settled after 12 months	1,317,164	8,500,000	9,817,164	27,107,284	-	8,500,000	35,607,284

Loans to subsidiaries - Holding Company

Loans to subsidiaries amounting to *Eur18,807,284* (2017 – *Eur14,207,283*) bear interest at the rate of 4.5% - 5% per annum whereas *Eur9,581,530* (2017 – *Eur7,128,407*) are interest free and repayable on demand. *Eur27,107,284* (2017 – *Eur20,707,281*) are not expected to be settled within 12 months from the end of the reporting period whilst *Eur1,281,530* (2017 – *Eur628,409*) are expected to be settled within twelve months. All the loans to subsidiaries are unsecured.

16. Financial assets (continued)

(e) Loans and receivables (continued)

Loans to subsidiaries - Holding Company (continued)

The increase of *Eur10,212,579* (2017 – *Eur23,849,531*) includes dividends receivable (net of tax) from subsidiaries of *Eur8,950,000* (2017 – *Eur13,500,000*). During 2017, *Eur1,000,000* out of the *Eur13,500,000* dividends received (note 6) were settled and *Eur12,500,000* were converted into long-term loans. During 2018, dividend receivable from subsidiaries amounted to *Eur22,300,000* (note 6), out of which *Eur13,000,000* were settled during the year, *Eur8,300,000* were converted into long term loans and *Eur1,000,000* are expected to be settled within one year.

During 2017, the holding company assigned debts between its subsidiaries for an amount of *Eur15,679,749*, which is made up of the balance due to subsidiaries as at 1 January 2017 amounting to *Eur15,317,604* (note 21), and other amounts due from subsidiaries amounting to *Eur362,145*.

Loans to ultimate parent and other related parties

Group

All loans to ultimate parent and other related parties are unsecured. Loans amounting to *Eur12,317,164* (2017 – *Eur17,630,720*) bear interest at the rate of 3.5% - 5% per annum, whereas loans amounting to *Eur500,281* (2017 – *Eur353,551*) are interest free. *Eur3,000,281* (2017 – *Eur2,853,551*) of these loans are expected to be settled within 12 months from the end of the reporting period, whilst *Eur9,817,164* (2017 – *Eur15,130,720*) are repayable after more than 12 months.

Holding Company

Loans to ultimate parent and other related parties amounting to *Eur11,000,000* (2017 – *Eur16,000,000*) bear interest at the rate of 4.5% per annum whereas *Eur502,949* (2017 – *Eur357,797*) are interest free. The increase of *Eur3,500,000* relates to assignment of debts made by the holding company from a related party of the group to the ultimate parent. The decrease of *Eur8,500,000* relates to the conversion of loans amounting to *Eur5,000,000* and set-off of assigned debt amounting to *Eur3,500,000* into dividend due to ultimate parent.

Eur8,500,000 (2017 – *Eur13,500,000*) are not expected to be settled within 12 months from the end of the reporting period whilst *Eur3,002,949* (2017 – *Eur2,857,797*) are expected to be settled within 12 months. All the loans to other related parties are unsecured.

Notes to the financial statements

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17. Prepayments

These relate mainly to prepaid rents and guarantee deposits made by the holding company and the group's subsidiaries. As at the end of the reporting period, the group long term prepayments amount to *Eur2,350,724* (2017 – *Eur2,220,214*) after having recorded such prepayments within a twelve month period of *Eur92,766* (2017 – *Eur149,515*) as current assets. The holding company long term prepayments amount to *Eur510,095* (2017 – *Eur510,095*), none of which has been recorded within a twelve month period.

18. Inventories

	2018	Group 2017
	Eur	Eur
Raw materials and consumables	<u>5,192,245</u>	<u>4,072,637</u>

The amount of inventories recognised as an expense during the year amounted to *Eur97,993,676* (2017 – *Eur89,257,297*).

19. Trade and other receivables

	2018	Group 2017	Holding Company 2018	2017
	Eur	Eur	Eur	Eur
Trade receivables	587,839	636,178	-	-
Other receivables	2,619,954	1,188,550	307,899	244,429
Amounts due from other related parties	367,680	44,532	-	-
Amounts due from subsidiaries	-	-	398,663	195,184
Prepayments and accrued income	1,555,178	1,547,783	172,773	173,509
	<u>5,130,651</u>	<u>3,417,043</u>	<u>879,335</u>	<u>613,122</u>

No interest is charged on trade and other receivables. The amounts due from related parties are unsecured, interest-free and are repayable on demand.

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20. Trade and other payables

	2018	Group 2017	Holding Company 2018	Holding Company 2017
	Eur	Eur	Eur	Eur
Trade payables	14,683,584	8,150,913	5,603	4,898
Other payables	4,569,909	3,922,373	66,535	44,699
Social security liabilities	2,537,259	2,245,371	16,880	16,485
VAT and other liabilities	2,484,631	2,367,226	-	-
Amounts due to group companies	-	-	-	24
Accruals and deferred income	9,177,921	7,617,396	929,055	698,484
	<u>33,453,304</u>	<u>24,303,279</u>	<u>1,018,073</u>	<u>764,590</u>

No interest is charged on trade and other payables.

21. Other financial liabilities

	2018	Group 2017	Holding Company 2018	Holding Company 2017
	Eur	Eur	Eur	Eur
Amounts due to ultimate parent	505,517	14,372	505,517	3,319
Amounts due to other related parties	1,130,731	469,811	10,130	7,380
Amounts due to subsidiaries	-	-	6,368,219	-
Derivative financial liability held for trading	286,469	114,217	-	-
	<u>1,922,717</u>	<u>598,400</u>	<u>6,883,866</u>	<u>10,699</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,636,248)</u>	<u>(484,183)</u>	<u>(3,383,866)</u>	<u>(10,699)</u>
Amount due for settlement after 12 months	<u>286,469</u>	<u>114,217</u>	<u>3,500,000</u>	<u>-</u>

Notes to the financial statements

31 December 2018

21. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
On demand or within one year	1,636,248	484,183	3,383,866	10,699
Between two and five years	286,469	114,217	3,500,000	-
	1,922,717	598,400	6,883,866	10,699
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,636,248)	(484,183)	(3,383,866)	(10,699)
Amount due for settlement after 12 months	286,469	114,217	3,500,000	-

The balances due to ultimate parent and to other related parties by the group are unsecured, interest free and repayable on demand. The amount due to ultimate parent includes dividend due by the holding company for an amount of *Eur500,000* (note 12) whilst the amount due to other related parties includes dividend due by an indirect subsidiary to non-controlling interest for an amount of *Eur886,061*.

Amounts owed to subsidiaries amounting to *Eur6,300,000* bear interest at the rate of 4.5% per annum, out of which *Eur3,500,000* are not expected to be settled within 12 months from the end of the reporting period. The amount of *Eur3,500,000* was assigned to the holding company from indirect subsidiaries. The remaining balance of amounts owed to subsidiaries amounting to *Eur68,219* are interest free and repayable on demand. All the amounts owed to subsidiaries are unsecured.

On 1 July 2017, amounts owed to subsidiaries by the holding company amounting to *Eur15,317,604* were assigned to another subsidiary within the group (note 16e). *Eur14,094,246* of these amounts were unsecured and bore interest at the rate of 4.5% - 5% per annum. All other amounts were interest-free.

Derivative financial instruments amounting to *Eur286,469* (2017 – *Eur114,217*) comprise of interest rate swaps whereby subsidiaries of the group enter into a contract to swap the floating rate on bank borrowings (note 22) to a fixed rate. The derivative financial instrument with a value of *Eur112,253* (2017 - *Eur114,217*) represents an interest rate swap entered into on May 2017 by Premier Restaurants Romania SRL whilst the derivative financial instruments with a value of *Eur174,216* (2017 – *EurNil*) represents an interest rate swap entered into on December 2018 by Premier Restaurants Latvia SIA. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur286,469* (2017 – *Eur114,217*) is classified with non-current liabilities.

Notes to the financial statements

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21. Other financial liabilities (continued)

The notional principal amount of the outstanding interest rate swap at the end of the reporting period for Premier Restaurants Romania SRL amounted to *Eur7,967,967* (2017 - *Eur10,429,040*) and the swap matures on 21 January 2022 whilst for Premier Restaurants Latvia SIA amounted to *Eur10,000,000* (2017 - *EurNil*) and the swap matures on 19 October 2023.

At the end of the reporting period, the fixed interest rate on interest rate swap for Premier Restaurants Romania SRL amounted to 2.75% (2017 - 2.75%) with the floating rate being three-month ROBOR, whilst for Premier Restaurants Latvia SIA the fixed interest rate amounts to 0.45% (2017 - Nil) with the floating rate being one-month EURIBOR. The interest rate swap settles on a quarterly basis for Premier Restaurants Romania SRL and on a monthly basis for Premier Restaurants Latvia SIA. The subsidiaries settle the difference between the fixed and floating interest rates on a net basis.

22. Bank borrowings

	2018	Group 2017
	Eur	Eur
Bank borrowings	<u>25,544,518</u>	<u>20,403,808</u>

Notes to the financial statements

31 December 2018

22. Bank borrowings (continued)

Bank borrowings are repayable as follows:

	2018	Group 2017
	Eur	Eur
On demand or within one year	6,050,916	4,800,896
In the second year	6,050,861	4,800,896
In the third year	6,050,889	4,800,896
In the fourth year	2,452,540	4,800,896
In the fifth year	4,939,312	1,200,224
After five years	-	-
	<u>25,544,518</u>	<u>20,403,808</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(6,050,916)</u>	<u>(4,800,896)</u>
Amounts due for settlement after 12 months	<u>19,493,602</u>	<u>15,602,912</u>

Premier Restaurants Latvia SIA had a fully withdrawn loan facility amounting to *Eur17,500,000* with AS DNB Banka. The loan bore an adjusted interest rate of the 3-month EURIBOR +2.50% and the maturity term of the loan was up to June 2021. The loan was 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 balance on this loan amounting to *Eur10,797,175* as at 1 January 2017 was settled in full in 2017 from the proceeds of the issued debt securities as detailed in note 23.

In December 2018, Premier Restaurants Latvia SIA secured a new loan facility with Luminor Bank AS amounting to *Eur10,000,000*. The loan has a term of five years and bears an interest rate of 1-month Euribor +2.50%. The loan is secured by a pledge agreement between the bank and the Baltic subsidiaries together with pledges over the entities' immovable and movable property. As at the end of the reporting period, the balance on the loan amounted to *Eur9,951,667*.

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22. Bank borrowings (continued)

During 2016, Premier Capital SRL secured a loan from BRD – SG in Romania to partly finance the acquisition of McDonald's operations in the territory. The loan was denominated in local currency RON, and balance as at 1 January 2017 amounted to *Eur28,849,085*. The facility with a term of six years, bore an interest rate of 3-month ROBOR +2.75%. The loan was secured by a pledge over the subsidiaries' immovable and movable property. In January 2017, Premier Capital SRL further withdrew *Eur5,595,210* from the same loan with BRD – SG to finance the deferred consideration payment as detailed in note 27. Later during the year, the facility was settled in full by means of a dividend distribution received from its direct subsidiary, Premier Restaurants Romania SRL.

During 2017, a new bank facility was granted by BRD – SG to Premier Restaurants Romania SRL to partly finance the settlement of dividends to Premier Capital SRL. The loan is denominated in local currency RON, for an amount equivalent to *Eur15,592,851* as at 31 December 2018 (31 December 2017 - *Eur20,403,808*). The facility has a term of five years and bears an interest rate of 3-month ROBOR +2.75%. The loan is secured by a pledge over the entity's immovable and movable property.

Premier Restaurants Malta Limited, a subsidiary of the group, has an unutilised overdraft facility with a limit of *Eur1,000,000* (2017 – *Eur1,000,000*) and bearing interest at 250 basis point over the bank's base rate, presently 2.35% (2017 - 2.35%) per annum.

23. Debt securities in issue

	Group and Holding Company	
	2018	2017
	Eur	Eur
3.75% unsecured bonds redeemable 2026	<u>64,258,540</u>	<u>64,164,882</u>

In April 2010 the holding company ('Issuer') 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 p.l.c.) 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".

The board had appointed Equity Wealth Solutions Limited as trustee of the funds allocated to the sinking fund in accordance with the prospectus.

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23. Debt securities in issue (continued)

In view of the sinking fund commitment, until 1 January 2017 the holding company redeemed *Eur359,000* in nominal value of bonds thereby reducing the sinking fund requirement by this amount. On 16 March 2017, the holding company redeemed the remaining 6.8% Bonds in issue amounting to *Eur7,396,100* which triggered the liquidation of the sinking fund. The funds which the holding company had put aside in the form of cash (note 16d) and financial instruments (note 16c) amounting to *Eur3,462,447* as at 1 January 2017, were fully disposed of in 2017. Proceeds from the liquidation of the sinking fund amounted to *Eur3,411,402*.

Interest on the bonds was payable annually on 15 March of each year.

In November 2016, the holding company issued 650,000 3.75% unsecured bonds of a nominal value of *Eur100* per bond. The bonds are redeemable at their nominal value on 23 November 2026.

Of the 650,000 3.75% bonds, *Eur17,244,900* were used for the part redemption of the *Eur25,000,000* 6.8% Bonds already in issue. The remaining amount of *Eur7,396,100* 6.8% Bonds was redeemed on 16 March 2017.

Interest on the bonds is due and payable annually on 23 November of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the 3.75% bonds is net of direct issue costs of *Eur741,460* (2017 – *Eur835,118*) 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 *Eur66,950,000* (2017 - *Eur67,145,000*).

24. Share capital

	2018		2017	
	Authorised	Issued and called up	Authorised	Issued and called up
	Eur	Eur	Eur	Eur
400,000 ordinary shares of Eur100 each, of which 336,747 have been issued and called up	<u>40,000,000</u>	<u>33,674,700</u>	<u>40,000,000</u>	<u>33,674,700</u>

Save for the selection of directors in terms of Clause 55 of the Articles of Association of the holding company, ordinary shares in the holding 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.

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25. Other reserves

Group

	Legal reserve Eur	Revaluation reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2017	521,928	44,568	(1,062,675)	(496,179)
Transfer from retained earnings	2,474,977	-	-	2,474,977
Balance at 1 January 2018	2,996,905	44,568	(1,062,675)	1,978,798
Transfer from retained earnings	882,555	-	-	882,555
Balance at 31 December 2018	3,879,460	44,568	(1,062,675)	2,861,353

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

The revaluation reserve was created from an increase in revaluation of property, plant and equipment. In 2016, the land which was acquired on acquisition of the Romania operating segment was revalued and resulted in an increase in revaluation of *Eur*44,568.

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, and the effect of acquisition of part of a non-controlling interests amounting to *Eur*1,360,079. In 2015, the group gained full control in the subsidiary Premier Restaurants Malta Limited resulting in a movement in the other reserve of *Eur*455,878.

Holding Company

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 holding company from time to time and was created by a reduction of share capital in 2010.

	Other reserve Eur
Balance at 1 January 2018 / 31 December 2018	<u>212,351</u>

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26. 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 Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Cash at bank and on hand	<u>33,571,848</u>	<u>21,221,915</u>	<u>5,087,990</u>	<u>162,469</u>

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2018 was 0% - 2% (2017 – 0% - 0.4%).

27. Business combination

On 22 January 2016, the group acquired 90 percent shareholding in Premier Capital Romania Srl, an SPV company purposely set up to acquire 100 percent shareholding in the group of companies that operate the McDonald's restaurants in Romania. The acquired group is made of Premier Capital Delaware Inc. ('McD Delaware'), a non-trading company registered in Delaware US, and Premier Restaurants Romania Srl ('McD Romania') which operates the McDonald's restaurants in the territory.

McD Romania is headquartered in Bucharest and operates 78 restaurants (2017 - 72 restaurants) across the country. The acquisition was expected to increase the group's market portfolio and operations. Details of the purchase consideration is as follows:

Group

	2016
	Eur
Purchase consideration	
Cash consideration paid	58,077,033
Deferred consideration (included in 'other financial liabilities')	5,686,141
	<u>63,763,174</u>

The purchase consideration was partly financed by a bank loan from BRD of Eur37,049,767, a cash injection of Eur17,780,532 by the ultimate parent company, Hili Ventures Limited, and Eur3,702,401 from group operating cash flows. The deferred consideration of Eur5,686,141 included in other financial liabilities as at 1 January 2017, was settled in January 2017 and bore an interest rate of 3.54%.

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27. Business combination (continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	2016 Eur
Non-current assets	
Intangible assets	2,684,780
Property, plant and equipment	44,688,083
Deferred tax asset	182,292
Prepayments	471,318
Total non-current assets	48,026,473
Current assets	
Inventories	752,232
Trade and other receivables	1,043,262
Cash and cash equivalents	13,411,229
Total current assets	15,206,723
TOTAL ASSETS	63,233,196
Current liabilities	
Trade and other payables	7,364,042
Current tax liabilities	915,877
Total current liabilities	8,279,919
Non-current liabilities	
Other financial liabilities	304,740
TOTAL LIABILITIES	8,584,659
NET IDENTIFIABLE ASSETS ACQUIRED	54,648,537
Add: goodwill	9,114,637
Purchase consideration	63,763,174

The goodwill arising on acquisition is in relation to synergies resulting from combining the operations of Romania and intangible assets that do not qualify for separate recognition. The goodwill is attributable to the profitability of the acquired business and it will not be deductible for tax purposes.

28. Significant non-cash transactions

During 2018 there were the following significant non-cash transactions:

- a) The holding company received dividends from investments in subsidiaries (note 6) amounting to *Eur22,300,000*, out of which *Eur13,000,000* were settled during the year, *Eur8,300,000* were converted into long-term loans which are unsecured and bear interest at 4.5% per annum, and the remaining dividends amounting to *Eur1,000,000* are unsecured and repayable on demand.
- b) Amounts owed to subsidiaries (note 21) includes an amount of *Eur3,500,000* which are assigned debts from indirect subsidiaries to the holding company.
- c) As explained in notes 12, 16e and 21, a total of *Eur8,500,000* were converted into dividends to ultimate parent, being made out of a loan amounting to *Eur5,000,000* and set-off of assigned debts amounting to *Eur3,500,000*.

During 2017 there were the following significant non-cash transactions:

- a) The holding company received dividends from investments in subsidiaries (note 6) amounting to *Eur13,500,000*, out of which *Eur1,000,000* were settled during the year and *Eur12,500,000* were converted into long-term loans which are unsecured and bear interest at 4.5% per annum.
- b) As explained in note 16e and 21, amounts owed to subsidiaries by the holding company amounting to *Eur15,679,749* were assigned to another subsidiary within the group. *Eur14,094,246* of these amounts were unsecured and bore interest at the rate of 4.5% - 5% per annum.

29. Related party disclosures

Premier Capital p.l.c. is the parent company of the undertakings highlighted in note 16a.

The ultimate parent company of Premier Capital p.l.c. is Hili Ventures Limited which is incorporated in Malta, having registered address Nineteen Twenty Three, Valletta Road, Marsa, and which produces consolidated financial statements available for public use. Copies of the consolidated financial statements may be downloaded from the website of both Premier Capital p.l.c. and Hili Ventures Limited.

The directors consider the ultimate controlling party to be Carmelo Hili, who is the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

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

Group

	2018			2017		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Cost of sales:						
Related party transactions with:						
Related parties	<u>1,337,876</u>	<u>229,653,871</u>	<u>1</u>	<u>1,365,553</u>	<u>205,977,544</u>	<u>1</u>
Administrative expenses:						
Related party transactions with:						
Ultimate parent	363,993			362,610		
Related parties	125,230			128,307		
Key management personnel	<u>1,166,024</u>			<u>890,775</u>		
	<u>1,655,247</u>	<u>22,488,480</u>	<u>7</u>	<u>1,381,692</u>	<u>19,729,146</u>	<u>7</u>
Investment income:						
Related party transactions with:						
Ultimate parent	550,788			497,904		
Related parties	<u>190,584</u>			<u>133,485</u>		
	<u>741,372</u>	<u>932,392</u>	<u>80</u>	<u>631,389</u>	<u>986,824</u>	<u>64</u>

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29. Related party disclosures (continued)

Holding Company

	2018			2017		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur		Eur	Eur	
Revenue:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>1,092,000</u>	<u>1,092,000</u>	<u>100</u>	<u>1,104,004</u>	<u>1,104,004</u>	<u>100</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>(46,091)</u>			<u>-</u>		
Ultimate parent	<u>363,993</u>			<u>362,610</u>		
Other related parties	<u>70,838</u>			<u>71,275</u>		
Key management personnel	<u>1,166,024</u>			<u>890,775</u>		
	<u>1,554,764</u>	<u>5,699,146</u>	<u>27</u>	<u>1,324,660</u>	<u>5,201,971</u>	<u>25</u>
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>23,205,503</u>			<u>14,621,359</u>		
Ultimate parent	<u>550,788</u>			<u>447,904</u>		
Other related parties	<u>112,500</u>			<u>95,856</u>		
	<u>23,868,791</u>	<u>23,906,521</u>	<u>100</u>	<u>15,165,119</u>	<u>15,493,576</u>	<u>98</u>
Finance costs:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>68,219</u>	<u>2,678,337</u>	<u>3</u>	<u>362,214</u>	<u>3,225,581</u>	<u>11</u>

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

The amounts due from/to related parties at year-end are disclosed in notes 12, 16, 19, 20 and 21. Other related party transactions are disclosed in note 25 and 28. Other than as disclosed in the respective notes, no guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

Other related parties consist of related parties other than parent, entities with joint control or significant influence over the holding company, subsidiaries, associates, joint ventures in which the holding company is a venture and key management personnel of the holding company or its parent.

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30. Operating leases

	Group		Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
<i>Operating leases recognised as expense for the year</i>				
Minimum lease payments under operating leases	10,573,738	9,573,036	831,001	798,762
Contingent rent	3,590,866	2,994,047	-	-
	<u>14,164,604</u>	<u>12,567,083</u>	<u>831,001</u>	<u>798,762</u>

The group is party to several operating lease agreements for lease of premises and land on which the restaurants in the Baltics, Malta, Greece and Romania are situated. The group also leases certain properties whereby it is committed to pay monthly payments to the lessor based on the revenue of each particular restaurant. This is presented within contingent rent disclosed above, which is calculated as a percentage of revenues.

The majority of the lease agreements entitle the group's subsidiaries to have the right of first refusal when such leases come up for renewal. None of the lease agreements gives rights to the group's subsidiaries' to any purchase or escalation options, however restricting the same subsidiaries to further lease the properties to third parties.

In 2017, the holding company entered into an operating lease for the provision of a private jet for a fixed number of annual flight hours. This is included in the minimum lease payments in the above disclosure.

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

	Group		Holding Company	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Within one year	9,714,340	8,656,024	831,056	830,152
Between two to five years	27,830,992	24,458,282	177,179	961,840
Over five years	51,283,953	27,427,317	271,434	336,320
	<u>88,829,285</u>	<u>60,541,623</u>	<u>1,279,669</u>	<u>2,128,312</u>

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31. 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 subsidiary to use the McDonald's system in the restaurants. These franchise agreements 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.
- (ii) 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.

32. Contingent liabilities

At 31 December 2018, the holding company acted as a guarantor for bank facilities held in the name of its subsidiaries. The holding company guaranteed *Eur6,249,749* (2017 – *Eur6,249,749*) in favour of Premier Restaurants Malta Limited. At 31 December 2018, Premier Restaurants Malta Limited had no borrowings. In 2016, the holding company also guaranteed the amount *Eur17,500,000* in favour of SIA Premier Restaurants (subsidiary in Latvia), on the loan which the latter had with AS DNB Banka and which was repaid in full in 2017.

A direct subsidiary of the group acted as a guarantor in favour of Premier Restaurants Romania Srl for an amount of *Eur23,768,500* (2017 - *Eur23,768,500*) in connection with bank facilities.

Certain subsidiaries of the group, have also guaranteed the amount of *Eur8,107,189* (2017 – *Eur8,107,189*) in favour of related companies in connection with bank facilities of the respective related company.

33. Fair value of financial assets and financial liabilities

At 31 December 2018 and 2017 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.

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33. Fair value of financial assets and financial liabilities (continued)

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, and the debt securities in issue (where fair value is disclosed in note 23), are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end.

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.

	Group and Holding Company			Total Eur
	Level 1 Eur	Level 2 Eur	Level 3 Eur	
Financial assets				
Local listed debt and equity instruments				
As at 31.12.2017	890,697	-	-	890,697
As at 31.12.2018	856,267	-	-	856,267
Financial liabilities				
Derivative financial instruments				
As at 31.12.2017	-	114,217	-	114,217
As at 31.12.2018	-	286,469	-	286,469

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 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 appropriate rates at end of the reporting period.

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value and other than shares in subsidiary companies, grouped into Levels 1 to 3.

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33. Fair value of financial assets and financial liabilities (continued)

Group

	Fair value measurement at end of reporting period using:				
	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
Financial assets					
<i>Loans and receivables</i>					
Receivables from other related parties	-	2,852,135	1,630,720	4,482,855	4,482,855
Receivables from ultimate parent	-	1,416	13,500,000	13,501,416	13,501,416
As at 31.12.2017	-	2,853,551	15,130,720	17,984,271	17,984,271
Financial assets					
<i>Loans and receivables</i>					
Receivables from other related parties	-	2,967,629	1,317,164	4,284,793	4,284,793
Receivables from ultimate parent	-	32,652	8,500,000	8,532,652	8,532,652
As at 31.12.2018	-	3,000,281	9,817,164	12,817,445	12,817,445
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to other related parties	-	469,811	-	469,811	469,811
Amounts due to ultimate parent	-	14,372	-	14,372	14,372
Bank borrowings	-	20,403,808	-	20,403,808	20,403,808
Debt securities	67,145,000	-	-	67,145,000	64,164,882
As at 31.12.2017	67,145,000	20,887,991	-	88,032,991	85,052,873
Amounts due to other related parties	-	1,130,731	-	1,130,731	1,130,731
Amounts due to ultimate parent	-	505,517	-	505,517	505,517
Bank borrowings	-	25,544,518	-	25,544,518	25,544,518
Debt securities	66,950,000	-	-	66,950,000	64,258,540
As at 31.12.2018	66,950,000	27,180,766	-	94,130,766	91,439,306

The fair values of the financial assets and liabilities included in level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the market interest rate at year end and the credit risk of counterparties.

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33. Fair value of financial assets and financial liabilities (continued)

Holding Company

	Fair value measurement at end of reporting period using:				
	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
Financial assets					
<i>Loans and receivables</i>					
Receivables from subsidiaries	-	628,409	20,707,281	21,335,690	21,335,690
Receivables from ultimate parent	-	-	13,500,000	13,500,000	13,500,000
Receivables from other related parties	-	2,857,797	-	2,857,797	2,857,797
As at 31.12.2017	-	3,486,206	34,207,281	37,693,487	37,693,487
Financial assets					
<i>Loans and receivables</i>					
Receivables from subsidiaries	-	1,281,530	27,107,284	28,388,814	28,388,814
Receivables from ultimate parent	-	32,652	8,500,000	8,532,652	8,532,652
Receivables from other related parties	-	2,970,297	-	2,970,297	2,970,297
As at 31.12.2018	-	4,284,479	35,607,284	39,891,763	39,891,763
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to other related parties	-	7,380	-	7,380	7,380
Amounts due to ultimate parent	-	3,319	-	3,319	3,319
Debt securities	67,145,000	-	-	67,145,000	64,164,882
As at 31.12.2017	67,145,000	10,699	-	67,155,699	64,175,581
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to other related parties	-	10,130	-	10,130	10,130
Amounts due to ultimate parent	-	505,517	-	505,517	505,517
Amounts due to subsidiaries	-	2,868,219	3,500,000	6,368,219	6,368,219
Debt securities	66,950,000	-	-	66,950,000	64,258,540
As at 31.12.2018	66,950,000	3,383,866	3,500,000	73,833,866	71,142,406

34. 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. Concentrations of financial risk arise 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 trade receivables, loans and receivables, debt securities held, financial assets at fair value through other comprehensive income and cash at bank. Trade receivables and loan and 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 are placed with reliable financial institutions with a credit rating of A1 at year end (2017 – A1).

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 the holding company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group and holding company.

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. Any guarantees are disclosed in note 32.

Quoted investments are acquired after assessing the quality of the related investments.

34. 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.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

The functional currency of all the subsidiaries, except the Romanian entities, was the Euro both in the current year and in the prior year. Furthermore, the translation of the Romania entity, which has the Romanian Lei as its functional currency is recognised in the Group's other comprehensive income in accordance with the Group's accounting policies.

Interest rate risk

The group has taken out bank borrowings and debt securities to finance its operations as disclosed in notes 22 and 23. 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 16, 21, 22, 23 and 26 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 to the extent that these are measured at fair value. Investments in equity instruments are not exposed to interest rate risk.

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

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.

34. Financial risk management (continued)

Interest rate risk (continued)

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the change in cash flows of the group's bank borrowings, net of cash at bank and on hand, and derivative financial instruments at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is 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 estimated change in cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 50 basis points at the end of the reporting period, with all other variables remaining constant.

The sensitivity of the relevant risk variables is as follows:

	Group		Holding Company	
	Profit or loss sensitivity		Profit or loss sensitivity	
	2018	2017	2018	2017
	Eur	Eur	Eur	Eur
Market interest rates	+/- 130k	+/- 56k	+/- 25k	+/- 0.8k

The sensitivity on profit or loss in respect of market interest rates for the group is mainly attributable to cash and cash equivalents, bank borrowings and derivative financial instruments. The sensitivity on profit or loss in respect of market interest rates for the holding company is attributable only to cash and cash equivalents.

Liquidity risk

The group and the holding company monitor and manage their risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both their financial assets and financial liabilities and by monitoring the availability of raising funds to meet financial obligations.

Funds are transferred within the group as and when the need arises. 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 any additional financing requirements are addressed in a timely manner.

34. Financial risk management (continued)

Liquidity risk (continued)

The group and the holding company are exposed to liquidity risk in relation to meeting the future obligations associated with their financial liabilities, which comprise principally trade and other payables, other financial liabilities and interest-bearing borrowings (refer to notes 20, 21, 22, and 23). 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 holding company's and group's obligations.

At the end of the reporting period, the group reported a net current asset position of *Eur2,477,737* (2017 – *Eur249,302*). The increase arose principally from the new loan secured by Premier Restaurants Latvia SIA with Luminor Bank AS. In addition, the Romania segment further contributed to the net current asset position of the group by *Eur2,055,526* (2017 – *Eur3,189,092*) before intra group eliminations and adjustments.

In line with the prior year, the group continued to finance a significant amount of capital expenditure from working capital. The group has invested a total of *Eur21,044,826* (2017 – *Eur13,742,796*) in property, plant and equipment.

As detailed in note 27, the group partly financed the acquisition of the Romania operations in 2016 by means of a bank loan which at the end of the reporting period amounted to *Eur15,592,851* (2017 – *Eur20,403,808*).

The directors have reviewed cash flow projections that have been prepared for the next 12 months. The group budgets and cash flow forecasts assume that the group continues to operate within its current credit limits afforded by third party creditors and also a strategy to continue to invest in capital expenditure as far as possible from working capital for at least the next 12 months. Based on continued operating profitability, the directors are confident that the group will have no difficulty to continue to meet its commitments as and when they fall due.

As further disclosed in note 23, in terms of the prospectus, the holding company was required to build up a sinking fund in relation to the 6.8% Bonds, 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. In light of the part redemption of the 6.8% Bonds 2017-2020 amounting to *Eur17,244,900* in 2016 and the redemption of the remaining amount of *Eur7,396,100* on 16 March 2017, both of which were financed through the issue of the 3.75% 650,000 Bonds 2026, the sinking fund commitment was no longer required and the fund was liquidated.

Notes to the financial statements

31 December 2018

34. Financial risk management (continued)

Liquidity risk (continued)

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.

Group	On demand or within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	Total Eur
2018				
Non-derivative financial liabilities				
Non-interest bearing	35,089,552	-	-	35,089,552
Variable rate instruments	7,090,844	20,878,969	-	27,969,813
Fixed rate instruments	2,437,500	9,750,000	72,058,733	84,246,233
Derivative financial liabilities	-	286,469	-	286,469
	<u>44,617,896</u>	<u>30,915,438</u>	<u>72,058,733</u>	<u>147,592,067</u>
2017				
Non-derivative financial liabilities				
Non-interest bearing	24,787,462	-	-	24,787,462
Variable rate instruments	5,655,034	16,818,417	-	22,473,451
Fixed rate instruments	2,437,500	9,750,000	74,496,233	86,683,733
Derivative financial liabilities	-	114,217	-	114,217
	<u>32,879,996</u>	<u>26,682,634</u>	<u>74,496,233</u>	<u>134,058,863</u>

Notes to the financial statements

31 December 2018

34. Financial risk management (continued)

Liquidity risk (continued)

Holding Company

	On demand or within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	Total Eur
2018				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	1,601,939	-	-	1,601,939
Fixed rate instruments	5,458,350	13,407,500	72,058,733	90,924,583
	<u>7,060,289</u>	<u>13,407,500</u>	<u>72,058,733</u>	<u>92,526,522</u>
2017				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	775,289	-	-	775,289
Fixed rate instruments	2,437,500	9,750,000	74,496,233	86,683,733
	<u>3,212,789</u>	<u>9,750,000</u>	<u>74,496,233</u>	<u>87,459,022</u>

The table below details changes in the group and holding company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities.

Group

	Opening balance as at 01.01.2018	Cash flows	Non-cash changes			Closing balance as at 31.12.2018
			Foreign exchange movements	Assignment of debts	Other changes	
	Eur	Eur	Eur	Eur	Eur	Eur
Debt securities in issue	64,164,882	-	-	-	93,658	64,258,540
Bank borrowings	20,403,808	5,088,353	52,357	-	-	25,544,518
Amounts due to ultimate parent	14,372	(8,855)	-	-	500,000	505,517
Amounts due to related parties	469,811	(366,648)	-	-	1,027,568	1,130,731

Notes to the financial statements

31 December 2018

34. Financial risk management (continued)

Liquidity risk (continued)

Holding Company

	Opening balance as at 01.01.2018	Cash flows	Non-cash changes Foreign exchange movements	Assignment of debts	Other changes	Closing balance as at 31.12.2018
	Eur	Eur	Eur	Eur	Eur	Eur
Debt securities in issue	64,164,882	-	-	-	93,658	64,258,540
Amounts due to ultimate parent	3,319	2,198	-	-	500,000	505,517
Amounts due to related parties	7,380	2,750	-	-	-	10,130
Amounts due to subsidiaries	-	2,800,000	-	3,500,000	68,219	6,368,219
	Opening balance as at 01.01.2017	Cash flows	Non-cash changes Foreign exchange movements	Assignment of debts	Other changes	Closing balance as at 31.12.2017
	Eur	Eur	Eur	Eur	Eur	Eur
Debt securities in issue	71,455,260	(7,396,100)	-	-	105,722	64,164,882
Amounts due to ultimate parent	5,000,000	(4,996,681)	-	-	-	3,319
Amounts due to related parties	6,875	505	-	-	-	7,380
Amounts due to subsidiaries	15,317,604	362,145	-	(15,679,749)	-	-

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 holding company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

Capital risk management

The holding 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 22 and 23 and cash and cash equivalents as disclosed in note 26.

Notes to the financial statements

31 December 2018

34. Financial risk management (continued)

Capital risk management

The holding 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 holding company balances its overall capital structure through payments of dividends (subject to bank approval when required), 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.

Independent auditor's report

To the shareholders of Premier Capital p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Premier Capital p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 16 to 95, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2018 are disclosed in note 8 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill in the consolidated financial statements

Key audit matter

Management is required by International Accounting Standard (IAS) 36, Impairment of Assets, to carry out an annual assessment to establish whether the Group's goodwill is carried at no more than its recoverable amount.

On the basis of its assessment for the current year, management concluded that the carrying amount of the Group's goodwill amounting to € 25.4 million, € 16.6 million of which is allocated to the operations in Malta and € 8.8 million allocated to the operations in Romania, was not impaired.

We focussed on this area because of the significance of the amount and because impairment testing involves complex and subjective judgements by the Directors about the future results of the relevant parts of the business. In addition, management's assessment process is based on significant assumptions, specifically the determination of the discount rate and cash flows projections used in determining the value-in-use of the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

How the key audit matter was addressed in our audit

We evaluated the suitability and appropriateness of the impairment methodology applied by management and engaged our internal valuation specialist resources to assess the reliability of the directors' forecasts and to challenge the methodology used and the underlying assumptions. We concluded that the parameters utilised were reasonable.

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 3 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill as at 31 December 2018 to be recoverable and that there is no impairment in the value of the goodwill.

Revenue recognition in the consolidated financial statements

Key audit matter

The Group recognises revenue from restaurant sales when services are rendered, that is, when food and beverage products purchased by customers have been delivered and accepted by the customers.

We considered revenue recognition as key audit matter since it involves a significant volume of transactions, requires proper observation of cut-off procedures, and directly impacts the Group's profitability.

The Group's disclosures on its revenue recognition policy is presented in Note 2 to the financial statements.

How the key audit matter was addressed in our audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, testing the design and operating effectiveness of the Group's internal controls over recognition of revenues; performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations

and following up variances from our expectations; and, verifying that the underlying information used in the analyses are valid.

Impairment testing of investment in subsidiaries recognised in the financial statements of the Company

Key audit matter

The management is also required by IAS 36, Impairment of Assets, to carry out a review for any indication that the carrying amount of the investment in subsidiaries is not impaired.

On the basis of its review for the current year, management concluded that the carrying amount of the investment in subsidiaries amounting to € 56.4 million, was not impaired.

We considered impairment test of investment in subsidiaries as key audit matter because the amount is material to the Company's financial statements.

How the key audit matter was addressed in our audit

We evaluated the suitability and appropriateness of the impairment methodology applied by management and engaged our internal valuation specialist resources to assess the reliability of the directors' forecasts and to challenge the methodology used and the underlying assumptions. We concluded that the parameters utilised were reasonable.

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 16(a) of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of investments as at 31 December 2018 to be recoverable and that there is no impairment in the value of the investments.

Other information

The directors are responsible for the other information. The other information comprises (i) the Directors, officer and other information, (ii) the Directors' report, (iii) Statement of directors' responsibilities and (iv) the Corporate governance statement which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Act.

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

- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Directors' report has been prepared in accordance with the Act.

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

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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

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

our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirements

Report on Corporate governance statement

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Corporate governance statement providing an explanation of 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 throughout the accounting period with those Principles.

The Listing Rules also require us, as the auditor of the Company, to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance with the Code of Principles of Good Corporate Governance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good Corporate Governance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement set out on pages 12 to 15 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities

- under the Companies Act, Cap 386 to report to you if, in our opinion:
 - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
 - the financial statements are not in agreement with the accounting records and returns
 - we have not received all the information and explanations we require for our audit
 - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- in terms of Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Auditor tenure

We were first appointed as auditors of the Company and the Group on 9 October 2018 and therefore represents an engagement appointment of one year.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON

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24 April 2019