



**premier
capital®**
everyone makes
it possible.

**Premier Capital Plc
Report and financial statements**

31 December 2015

Contents

	<i>Page</i>
Directors, officer and other information	<i>1</i>
Directors' report	<i>2 - 4</i>
Statements of directors' responsibilities	<i>5</i>
Corporate governance statement	<i>6 - 9</i>
Independent auditor's report on corporate governance statement	<i>10</i>
Statements of profit or loss and other comprehensive income	<i>11</i>
Statements of financial position	<i>12 - 13</i>
Statements of changes in equity	<i>14 - 15</i>
Statements of cash flows	<i>16</i>
Notes to the financial statements	<i>17 - 73</i>
Independent auditor's report	<i>74 - 75</i>



Directors, officer and other information

Directors: Carmelo Hili (*sive*) Melo
Richard Abdilla Castillo
Charles J. Farrugia
Dr. Ann Fenech
Massimiliano Lupica
Victor Tedesco
Tomasz Nawrocki

Secretary: Dr. Karen Coppini

Registered office: Nineteen Twenty Three,
Valletta Road,
Marsa,
Malta.

Country of incorporation: Malta

Company registration number: C 36522

Auditor: Deloitte Audit Limited,
Deloitte Place,
Mriehel Bypass,
Mriehel,
Malta.

Principal bankers: HSBC Bank Malta p.l.c.,
Commercial Branch,
233, Republic Street,
Valletta,
Malta.

AS DNB Banka,
Skanstes Street 12,
Riga, LV-1013,
Latvia.



Directors' report

Year ended 31 December 2015

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2015.

Principal activities

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

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

Performance review

During the year under review, the group registered an operating profit of *Eur3,957,656* (2014 – *Eur3,817,435*) on revenue of *Eur99,937,813* (2014 – *Eur94,611,537*). After accounting for investment income and finance costs, the group registered a pre-tax profit of *Eur1,696,299* (2014 – *Eur1,486,326*).

The group's net assets at the end of the year under review amounted to *Eur17,739,081* (2014 – *Eur17,009,454*).

During the year under review, the company registered an operating loss of *Eur1,018,333* (2014 – *Eur536,118*). After accounting for investment income and finance costs, the company registered a pre-tax loss of *Eur2,266,013* (2014 – Profit of *Eur174,321*). The net assets of the company at the end of the year under review amounted to *Eur15,445,210* (2014 – *Eur17,632,598*).

All markets except for Malta registered increases in revenues when compared to 2014. Overall group revenue increased by 5.6% to *Eur99,937,813* when compared to *Eur94,611,537* in 2014. The market reporting the highest growth was Greece, with an overall growth of 15.2% on 2014. Lithuania registered growth of 11.2% when compared to 2014, Latvia growth of 3.6%, Estonia growth of 1.6%, whilst Malta retracted by 2.9% as a result of closing one restaurant during the year.

Greece experienced a very positive year, registering double-digit growth for the second consecutive year. Despite the current economic instability in Greece, the group maintains a positive outlook for the market.

A key achievement for the group in 2015 was its ability to serve more customers than ever before since it commenced operations. The group served a total of 36 million customers in 2015 and registered year on year guest count growth of 2.8%.

Directors' report (continued)

Year ended 31 December 2015

Performance review (continued)

During the year under review, the Group continued to grow its portfolio, bringing up the total number of restaurants it operates to 63 by the end of the year. Development activity included the opening of two new restaurants in Greece and the remodelling of another restaurant. The group also opened three new restaurants and remodelled one in the Baltics. The total investment undertaken on new openings was of *Eur3,649,547*, whilst the group invested a further *Eur1,048,194* to fund the remodelling restaurants in Greece and Baltics. The group also invested *Eur780,659* in upgrading its IT systems, and equipment replacements and upgrades in existing restaurants amounted to *Eur2,256,205*.

As the year progressed, the group continued to undertake concentrated efforts to deliver additional cost efficiency at every level of the business across the five markets in which it operates. This presented a considerable challenge in view of continued pressure coming from rising raw material and commodity prices and the increased cost of labour and utilities. The group's efforts however paid off and the group generated an EBITDA of *Eur10,360,185*, up from *Eur9,697,068* the previous year.

Looking ahead, the outlook for the group's business across all five markets is positive. Across the Baltic States and in Malta, the McDonald's brand remains a market leader within the Informal Eating Out sector and the company continues to build its market share and broaden its user base. This indicates that the group expects to continue to grow its business in the coming years. Within the Greek market, McDonald's faces strong competition with key players in the Informal Eating Out sector enjoying a much stronger market penetration and higher market share.

Results and dividends

The results for the year ended 31 December 2015 are shown in the statements of comprehensive income on page 11. The group's profit for the year after taxation was *Eur1,325,605* (2014 – *Eur1,148,539*), whilst the company's loss for the year after taxation was *Eur1,591,410* (2014 – profit of *Eur330,790*). During the year, the directors declared interim dividends of *Eur1,730,000* out of which *Eur730,000* were paid. No final dividend is being recommended.

Directors' report (continued)

Year ended 31 December 2015

Directors

The directors who served during the period were:

Carmelo Hili (*sive*) Melo (Chairman)
Richard Abdilla Castillo
Charles J. Farrugia
Dr. Ann Fenech
Massimiliano Lupica
Victor Tedesco
Tomasz Nawrocki

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

Going Concern

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

Post-balance sheet events

As explained in more detail in note 36, after the end of the reporting period, the group acquired McDonald's System of Romania Inc. which in turn owns McDonald's Romania Srl, a company operating the 67 restaurants in Romania. This acquisition was made for Eur63 million.

Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on its behalf on 29 April 2016 by:



Melo Hili
Chairman



Victor Tedesco
Director

Statement of directors' responsibilities

Year ended 31 December 2015

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 company and its group at the end of each financial year and of the profit or loss of the company and its group for the year then ended. In preparing the financial statements, the directors should:

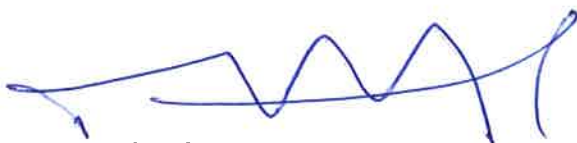
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2015 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

Corporate governance statement

Introduction

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

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

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

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

The Board of Directors

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

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

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

Executive Directors

Victor Tedesco
Tomasz Nawrocki

Non-Executive Directors

Carmelo Hili (*sive*) Melo (Chairman)
Richard Abdilla Castillo
Charles J. Farrugia
Dr. Ann Fenech
Massimiliano Lupica

Corporate governance statement (continued)

The Board of Directors (continued)

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

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

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

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

Audit Committee

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

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

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

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

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

The Audit Committee met four times during the year 2015. Communication with and between the 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 (continued)

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 Managing Director who report directly to the Board. The two regions are split geographically with the Mediterranean incorporating Greece and Malta whilst the Baltic region includes Estonia, Latvia and Lithuania. With the present reporting system the Board felt that the position of Chief Executive Officer is currently not required.

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

1. Reviewing the group's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives;
3. Appointing and monitoring the executive directors whose function is to manage the operations of the group across all regions, namely the Mediterranean and Baltic regions; and
4. Identifying and ensuring that significant risks are managed satisfactorily.
5. 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 and Malta organise an annual 'McHappy Day' programme of events held over one month to fund-raise for local charity.

The local subsidiary, Premier Restaurants Malta Limited assists annually in the Olympic Day Run to promote physical activity, and during which a donation is presented to the Malta Olympic Committee. Similarly in Lithuania, the group's subsidiary has supported various sports events.

The Latvia chapter of RMHC (Ronald McDonald House Charity), set up 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. In 2015 it provided 5,268 free medical exams to Latvian children mostly aged under 5 years.

Corporate governance statement (continued)

Corporate Social Responsibility (continued)

In 2013 Premier Capital plc registered a RMHC Chapter in Malta with aims similar to those of the Latvian chapter. Last year it launched its plans to set up a house run by Malta charity Inspire to help disadvantaged children keep up with their schoolwork. McDonald's in Malta will be one of the RMHC (Malta's Chapter) main benefactors.

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.

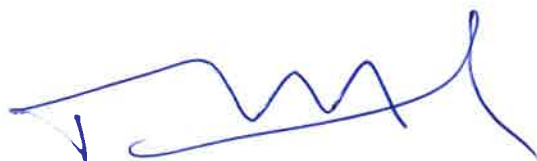
Principle 8: Committees

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 29 April, 2016 by:



Melo Hili
Chairman



Victor Tedesco
Director

Independent auditor's report on corporate governance statement to the members of

Premier Capital p.l.c.

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

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

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

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

In our opinion, the Corporate Governance Statement set out on pages 6 to 9 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

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

Deloitte Audit Limited

Registered auditor

Mriehel, Malta

29 April 2016

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/mt/about for a more detailed description of DTTL and its member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities: Deloitte Services Limited, Deloitte Technology Solutions Limited, Deloitte Consulting Limited, and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at www.deloitte.com/mt/about.

Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services in Malta under the Deloitte brand.

Statements of profit or loss and other comprehensive income

Year ended 31 December 2015

	Notes	2015 Eur	Group 2014 Eur	2015 Eur	Holding 2014 Eur
Revenue	5	99,937,813	94,611,537	-	-
Cost of sales		(82,442,950)	(78,108,662)	-	-
Gross profit		17,494,863	16,502,875	-	-
Other operating income	6	-	-	1,128,012	1,589,682
Selling expenses		(5,151,961)	(5,122,719)	-	-
Administrative expenses		(8,385,246)	(7,562,721)	(2,146,345)	(2,125,800)
Operating profit/(loss)		3,957,656	3,817,435	(1,018,333)	(536,118)
Investment income	7	90,177	94,824	969,789	2,664,600
Finance costs	8	(2,351,534)	(2,425,933)	(2,217,469)	(1,954,161)
Profit/ (Loss) before tax	9	1,696,299	1,486,326	(2,266,013)	174,321
Income tax (expense)/credit	12	(370,694)	(337,787)	674,603	156,469
Profit/ (Loss) for the year		1,325,605	1,148,539	(1,591,410)	330,790
Other comprehensive income					
Items that may be reclassified					
subsequently to profit or loss:					
Gain on available-for-sale investments		134,022	190,589	134,022	190,589
Total comprehensive					
Income/ (Expense) for the year		1,459,627	1,339,128	(1,457,388)	521,379
<i>Profit attributable to:</i>					
Owners of the company		1,325,605	1,142,322		
Non controlling interests who are also owners of the company		-	6,217		
		1,325,605	1,148,539		
<i>Total comprehensive income</i>					
<i>attributable to:</i>					
Owners of the company		1,459,627	1,332,911		
Non controlling interests who are also owners of the company		-	6,217		
		1,459,627	1,339,128		

Statements of financial position

31 December 2015

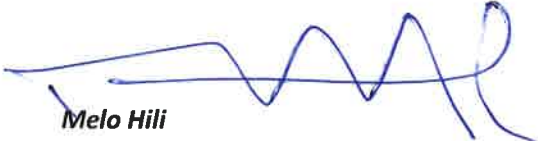
	Notes	2015 Eur	Group 2014 Eur	2015 Eur	Holding 2014 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	16,591,999	16,591,999	-	-
Intangible assets	14	8,492,282	8,824,359	7,358,768	8,016,379
Property, plant and equipment	15	30,681,504	29,406,230	15,961	43,335
Other financial assets	17	1,281,095	581,321	1,281,095	581,321
Available-for-sale investments	17	1,757,493	1,267,221	1,757,493	1,267,221
Investment in subsidiaries	17	-	-	19,425,780	19,425,781
Loans and receivables	17	-	-	19,920,002	17,420,002
Deferred tax assets	16	2,495,290	2,014,535	1,943,710	1,479,177
Prepayments	18	1,439,846	1,523,470	-	-
		<u>62,739,509</u>	<u>60,209,135</u>	<u>51,702,809</u>	<u>48,233,216</u>
Current assets					
Inventories	19	3,011,095	2,939,469	-	-
Available-for-sale investments	17	-	523,750	-	-
Loans and receivables	17	185,781	242,859	1,834,270	2,343,835
Trade and other receivables	20	1,388,505	1,382,811	1,549,721	762,956
Current tax asset		520,551	879,032	161,804	718,422
Cash and cash equivalents	27	4,362,715	3,801,085	45,392	572,435
		<u>9,468,647</u>	<u>9,769,006</u>	<u>3,591,187</u>	<u>4,397,648</u>
Total assets		<u>72,208,156</u>	<u>69,978,141</u>	<u>55,293,996</u>	<u>52,630,864</u>
Current liabilities					
Trade and other payables	21	13,158,075	12,964,173	1,515,523	1,474,489
Other financial liabilities	22	1,092,836	347,246	1,392,043	537,037
Bank overdrafts and loans	23	4,042,272	3,157,516	951,828	-
Current tax liabilities		383,805	259,881	-	-
		<u>18,676,988</u>	<u>16,728,816</u>	<u>3,859,394</u>	<u>2,011,526</u>
Non-current liabilities					
Bank loans	23	8,285,804	8,516,733	-	-
Debt securities in issue	24	24,394,893	24,336,986	24,394,893	24,336,986
Other financial liabilities	22	96,006	104,104	9,144,245	5,964,245
Deferred tax liabilities	16	3,015,384	3,282,048	2,450,254	2,685,509
		<u>35,792,087</u>	<u>36,239,871</u>	<u>35,989,392</u>	<u>32,986,740</u>
Total liabilities		<u>54,469,075</u>	<u>52,968,687</u>	<u>39,848,786</u>	<u>34,998,266</u>
Net assets		<u>17,739,081</u>	<u>17,009,454</u>	<u>15,445,210</u>	<u>17,632,598</u>

Statements of financial position (continued)

31 December 2015

	Notes	2015 Eur	Group 2014 Eur	2015 Eur	Holding 2014 Eur
EQUITY					
<i>Equity attributable to owners of the Holding Company:</i>					
Share capital	25	13,574,700	13,574,700	13,574,700	13,574,700
Exchange translation reserves		11,725	11,725	-	-
Fair value reserve		327,178	193,156	327,178	193,156
Other equity	26	459,253	(771,527)	1,212,351	212,351
Retained earnings		3,366,225	4,001,400	330,981	3,652,391
Total equity		17,739,081	17,009,454	15,445,210	17,632,598

These financial statements were approved by the board of directors, authorised for issue on 29 April 2016 and signed on its behalf by:



Melo Hili
Chairman



Victor Tedesco
Director



Statement of changes in equity
Year ended 31 December 2015

Group

	Share capital		Exchange translation reserve		Fair value reserve		Other equity		Retained earnings		Attributable to owners of the parent		Non-controlling interest		Total	
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
Balance at 1 January 2014	13,574,700	11,725	2,567	(1,355,187)	3,486,860	15,720,665	449,661	16,170,326								
Dividends (Note 13)	-	-	-	-	(500,000)	(500,000)	-	-	-	-	-	-	-	-	-	(500,000)
Profit for the year	-	-	-	-	1,142,322	1,142,322	6,217	1,148,539								1,148,539
Other comprehensive income for the year	-	-	190,589	-	-	190,589	-	190,589								190,589
Total comprehensive income for the year	-	-	190,589	-	1,142,322	1,332,911	6,217	1,339,128								1,339,128
Movement in legal reserve (Note 27)	-	-	-	127,782	(127,782)	-	-	-								-
Movement in other equity (Note 27)	-	-	-	455,878	-	455,878	(455,878)	-								-
Balance at 1 January 2015	13,574,700	11,725	193,156	(771,527)	4,001,400	17,009,454	-	17,009,454								17,009,454
Dividends (Note 13)	-	-	-	-	(1,730,000)	(1,730,000)	-	-								(1,730,000)
Loan earmarked for capitalisation	-	-	-	1,000,000	-	1,000,000	-	-								1,000,000
Profit for the year	-	-	-	-	1,325,605	1,325,605	-	1,325,605								1,325,605
Other comprehensive income for the year	-	-	134,022	-	-	134,022	-	134,022								134,022
Total comprehensive income for the year	-	-	134,022	-	1,325,605	1,459,627	-	1,459,627								1,459,627
Movement in legal reserve (Note 27)	-	-	-	230,780	(230,780)	-	-	-								-
Balance at 31 December 2015	13,574,700	11,725	327,178	459,253	3,366,225	17,739,081	-	17,739,081								17,739,081

Statement of changes in equity (continued)

Year ended 31 December 2015

Holding company

	Share capital Eur	Retained earnings Eur	Fair value reserve Eur	Other equity Eur	Total Eur
Balance at 1 January 2014	13,574,700	3,821,601	2,567	212,351	17,611,219
Dividends (Note 13)	-	(500,000)	-	-	(500,000)
Profit for the year	-	330,790	-	-	330,790
Other comprehensive income for the year	-	-	190,589	-	190,589
Total comprehensive income for the year	-	330,790	190,589	-	521,379
Balance at 1 January 2015	13,574,700	3,652,391	193,156	212,351	17,632,598
Dividends (Note 13)	-	(1,730,000)	-	-	(1,730,000)
Loan earmarked for capitalisation	-	-	-	1,000,000	1,000,000
Loss for the year	-	(1,591,410)	-	-	(1,591,410)
Other comprehensive income for the year	-	-	134,022	-	134,022
Total comprehensive income for the year	-	(1,591,410)	134,022	-	(1,457,388)
Balance at 31 December 2015	13,574,700	330,981	327,178	1,212,351	15,445,210

Statements of cash flows

Year ended 31 December 2015

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Cash flows from operating activities				
Profit / (Loss) before tax	1,696,299	1,486,326	(2,266,013)	174,321
<i>Adjustments for:</i>				
Depreciation and amortisation	6,402,529	5,879,633	669,359	691,942
Tangible assets write-offs	-	152,629	-	-
Interest expense	2,364,848	2,476,630	2,389,582	2,438,009
Interest income	(67,798)	(83,543)	(967,716)	(898,043)
Amortisation of bond issue expenses	57,907	57,907	57,907	57,907
Revaluation of interest rate swap	8,098	917	-	(103,187)
Loss/ (gain) on disposal of property, plant and equipment	(375,974)	52,931	1,000	9,497
Loss/ (gain) on repurchase of own bonds	-	(2,610)	-	(2,610)
Dividend Income from subsidiaries	-	-	-	(1,681,538)
Gain on disposal of investment in subsidiary	-	-	-	(73,738)
Impairment of property, plant and equipment	150,466	-	-	-
Operating profit before working capital movement	10,236,375	10,020,820	(115,881)	612,560
Movement in inventories	(71,626)	(676,553)	-	-
Movement in trade and other receivables	77,930	605,517	(786,765)	(517,915)
Movement in trade and other payables	193,902	1,483,436	41,034	39,827
Cash flows from operations	10,436,580	11,433,220	(861,612)	134,472
Interest paid	(2,303,780)	(2,741,300)	(1,609,196)	(1,804,999)
Income tax refund/(paid)	(352,577)	(357,163)	531,433	492,860
<i>Net cash flows from / (used in) operating activities</i>	<u>7,780,223</u>	<u>8,334,757</u>	<u>(1,939,375)</u>	<u>(1,177,667)</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(7,303,687)	(6,568,555)	(4,374)	(6,612)
Proceeds from sale of property, plant and equipment	463,921	122,678	19,000	2,065
Purchase of intangible assets	(430,918)	(176,369)	-	(23,683)
Proceeds from sale of available for sale investments	523,750	-	-	-
Settlement of loans and receivables	-	-	5,765,068	5,529,044
Advances of loans and receivables	-	-	(4,039,085)	(3,250,102)
Interest received	67,798	83,543	256,130	231,746
Purchase of available for sale investments	(1,000,000)	(1,500,000)	(1,000,000)	(1,000,000)
<i>Net cash flows (used in) / from investing activities</i>	<u>(7,679,136)</u>	<u>(8,038,703)</u>	<u>996,739</u>	<u>1,482,458</u>
Cash flows from financing activities				
Re-purchase of own bonds	(52,820)	(52,820)	(52,820)	(52,820)
Repayment of bank borrowings	(2,229,438)	(2,187,500)	-	-
Drawdowns from bank facilities	2,226,265	-	-	-
Dividends paid	(730,000)	(500,000)	(730,000)	(500,000)
Repayments to related parties	(1,127,217)	(4,144,009)	(425,856)	(1,450,000)
Advances from related parties	1,646,754	4,983,195	672,441	1,450,000
<i>Net cash flows used in financing activities</i>	<u>(266,456)</u>	<u>(1,901,134)</u>	<u>(536,235)</u>	<u>(552,820)</u>
Net movement in cash and cash equivalents	<u>(165,368)</u>	<u>(1,605,080)</u>	<u>(1,478,871)</u>	<u>(248,029)</u>
Cash and cash equivalents at the beginning of the year	<u>2,831,069</u>	<u>4,436,149</u>	<u>572,435</u>	<u>820,464</u>
Cash and cash equivalents at the end of the year (note 7)	<u>2,665,701</u>	<u>2,831,069</u>	<u>(906,436)</u>	<u>572,435</u>

Notes to the financial statements

31 December 2015

1. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss and available-for-sale financial assets which are stated at their fair values and in accordance with International Financial Reporting Standards as adopted by the EU. 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 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 holding company and entities controlled by the holding 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.

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.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Basis of consolidation (continued)

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.

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.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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.

Notes to the financial statements

31 December 2015

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.

Property, plant and equipment

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

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Depreciation

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

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

No depreciation is charged on land.

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

Intangible assets

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

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

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Intangible assets (continued)

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

(i) Support services licence

After initial recognition, support services licence is carried at cost less any accumulated amortisation and any accumulated impairment losses. Support services licence is written off to profit or loss by equal 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.

(iii) Acquired rights

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

(iv) Franchisee fees

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Other financial instruments

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

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

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

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

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

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Investments

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

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Investments (continued)

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

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

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

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value. Gains and losses arising from a change in fair value are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

When applying the effective interest method, the annual amortisation of any discount or premium is aggregated with other investment income receivable over the term of the instrument, if any, so that the revenue recognised in each period represents a constant yield on the investment.

(iii) Bank borrowings

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Other financial instruments (continued)

(iii) Bank borrowings (continued)

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

(iv) Other borrowings

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

(v) Trade payables

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

(vi) Shares issued by the company

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

(vii) Derivative financial instruments

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

Inventories

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

Cost is calculated using the weighted average method 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.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Provisions

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

Impairment

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

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

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

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

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Impairment (continued)

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

Where it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs is determined. For cash-generating units, where the recoverable amount is less than the carrying amount, the carrying amount of the assets of the unit is reduced first to reduce the carrying amount of any goodwill allocated, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Impairment losses are recognised immediately in profit or loss.

For loans and receivables, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

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.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Revenue recognition

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

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.

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.

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.

Notes to the financial statements

31 December 2015

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.

Notes to the financial statements

31 December 2015

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 company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

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

Currency translation

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

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Currency translation (continued)

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. 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.

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.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Dividends

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

Dividends to holders of equity instruments, 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.

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

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

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

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

Goodwill arising on a business combination is allocated, to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The carrying amount of goodwill amounting to *Eur16,591,999* is allocated to the Malta operations.

Notes to the financial statements

31 December 2015

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.

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 2.4% (2014 – 3%); and
- use of 12.96% (pre-tax) (2014 – 11.58%) to discount the projected cash flows to net present values.

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

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

At the date of approval of these financial statements, a number of International Financial Reporting Standards were in issue but not yet effective. The directors are assessing the potential impact of these International Financial Reporting Standards on the group and company's financial statements.

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces a logical approach for the classification. The Standard supersedes all previous versions of IFRS 9. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. IFRS 9 is effective from 1 January 2018. This standard has not as yet been endorsed by the European Union.

Notes to the financial statements

31 December 2015

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

IFRS 15 *Revenue from Contracts with Customers* specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts. By virtue of an amendment issued on 11 September 2015, the effective date of the standard was deferred by one year to annual periods beginning on or after 1 January 2018 with earlier application being permitted. This standard has not as yet been endorsed by the European Union at the date of authorisation of these financial statements.

IFRS 16 *Leases* sets out the principles for the recognition measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the European Union.

The December 2014 amendments to IAS 1 are effective from 1 January 2016. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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

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

31 December 2015

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. There were no intersegment sales in the year. The group's reportable segments under IFRS 8 are direct sales attributable to each country where it operates as a McDonald's development licensee.

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

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

Profit or loss before tax

	2015	2014
	Eur	Eur
Total profit for reportable segments	4,635,445	3,784,324
Elimination of inter segment profits	(3,608,512)	(3,963,753)
Unallocated amounts:		
Finance Costs	(2,351,534)	(2,425,933)
Other unallocated amounts	3,020,900	4,091,688
	<u>1,696,299</u>	<u>1,486,326</u>

Assets

	2015	2014
	Eur	Eur
Total assets for reportable segments	58,394,733	46,855,767
Elimination of inter segment receivables	(34,959,450)	(23,613,021)
Unallocated amounts:		
Intangible assets	7,358,768	8,016,379
Loans and receivables	21,754,272	19,763,837
Goodwill	16,591,999	16,591,999
Other unallocated amounts	3,067,834	2,363,180
	<u>72,208,156</u>	<u>69,978,141</u>

Notes to the financial statements

31 December 2015

5. Segment information (continued)

Liabilities

	2015	2014
	Eur	Eur
Total liabilities for reportable segments	14,015,970	12,458,190
Elimination of inter segment payables	(320,330)	(15,344)
Unallocated amounts:		
Bank loans	10,631,062	10,704,233
Debt Securities in issue	24,394,893	24,336,986
Other segment liabilities	5,747,480	5,484,622
	<u>54,469,075</u>	<u>52,968,687</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		Greece		Latvia		Lithuania		Malta		Total		Unallocated		Eliminations and Adjustments		Consolidated		
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	
	Eur		Eur		Eur		Eur		Eur		Eur		Eur		Eur		Eur		
Continuing operations																			
Revenue	17,657,883	24,127,337	18,744,260	18,260,051	21,148,282	99,937,813	-												99,937,813
Profit/ (loss) before tax	2,011,818	(559,963)	492,032	2,197,826	493,732	4,635,445	669,366												1,696,299
Depreciation and amortisation	851,309	1,630,312	1,079,329	728,818	1,434,928	5,724,696	669,359												6,402,529
Segment Assets	8,258,840	6,734,041	27,746,616	7,379,552	8,275,684	58,394,733	48,772,873												72,208,156
Property, plant and equipment	4,916,475	7,592,244	7,833,000	6,156,528	4,995,692	31,493,939	15,960												30,681,504
Capital expenditure	698,494	3,199,484	1,013,851	1,770,935	1,047,467	7,730,231	4,374												7,734,605
Segment Liabilities	1,208,357	4,299,467	3,506,514	1,216,867	3,784,765	14,015,970	40,773,435												54,469,075
Income																			
Tax Expense / (Credit)	375,000	(18,076)	43,608	351,733	293,032	1,045,297	(674,603)												370,694

5. Segment Information (continued)

	Estonia		Greece		Latvia		Lithuania		Malta		Total		Unallocated		Eliminations and Adjustments		Consolidated	
	2014	Eur	2014	Eur	2014	Eur	2014	Eur	2014	Eur	2014	Eur	2014	Eur	2014	Eur	2014	Eur
Continuing operations																		
Revenue	17,386,586		20,939,536		18,092,338		16,418,249		21,774,828		94,611,537		-					94,611,537
Profit before tax	1,681,665		(863,271)		541,444		1,972,672		451,814		3,784,324		1,665,755		(3,963,753)			1,486,326
Depreciation and amortisation	858,584		1,291,172		1,085,191		656,131		1,326,923		5,218,001		691,942		(30,310)			5,879,633
Segment Assets	7,782,038		5,851,165		18,572,010		7,088,274		7,562,280		46,855,767		46,735,395		(23,613,021)			69,978,141
Property, plant and equipment	5,079,998		6,167,052		8,087,927		5,128,317		5,727,996		30,191,290		43,335		(828,395)			29,406,230
Capital expenditure	462,694		2,362,755		1,303,786		320,719		2,481,179		6,931,133		30,295		(216,505)			6,744,923
Segment Liabilities	868,377		3,495,343		3,539,854		1,171,687		3,382,929		12,458,190		40,525,842		(15,344)			52,968,688
Income	-		(111,361)		31,188		280,553		293,876		494,256		(156,469)		-			337,787
Tax (Credit) / expense	-		(111,361)		31,188		280,553		293,876		494,256		(156,469)		-			337,787

Notes to the financial statements

31 December 2015

6. Other operating income

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Consultancy fees	-	-	624,012	789,691
Support services	-	-	504,000	799,991
	-	-	1,128,012	1,589,682

7. Investment income

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Interest income on bank deposits	2,200	1,894	2,073	1,894
Interest income on subsidiary loans	-	-	899,918	847,185
Gains on derivative financial instrument	8,100	9,387	-	9,387
Gains on financial asset held for trading	12,079	-	-	-
Other interest income	66,907	43,484	66,907	41,639
Interest income on related party loans	891	40,059	891	9,219
Gain on disposal of investment in subsidiary	-	-	-	73,738
Dividends from investments in subsidiaries	-	-	-	1,681,538
	90,177	94,824	969,789	2,664,600

8. Finance costs

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Interest on bank overdraft and loans	457,093	437,581	8,155	-
Interest on bonds	1,700,490	1,676,929	1,700,490	1,676,929
Amortisation of bond issue expenses	57,907	57,907	57,907	57,907
Interest on amounts payable to subsidiaries	-	-	394,127	150,796
Interest on amounts payable to related party	5,370	5,520	5,370	5,520
Loss for the year on derivative financial instrument	-	104,104	-	-
Other finance costs	130,674	143,892	51,420	63,009
	2,351,534	2,425,933	2,217,469	1,954,161

Notes to the financial statements

31 December 2015

9. Profit/ (loss) before tax

	Group		Holding	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
This is stated after charging:				
Depreciation of property, plant and equipment and amortisation of intangible assets	6,402,529	5,879,633	669,359	691,942
Net exchange differences	64,058	39,149	-	-
Impairment loss on fixed assets	150,466	-	-	-
Write off of fixed assets	-	152,629	-	-
	<u>6,617,053</u>	<u>6,071,411</u>	<u>669,359</u>	<u>691,942</u>

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

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to *Eur42,000* (2014 – *Eur43,000*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur68,000* (2014 – *Eur69,000*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur5,190* (2014 – *Eur9,875*) and *Eur9,691* (2014 – *Eur15,060*) respectively.

Holding company

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur6,000* (2014 – *Eur5,000*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur2,410* (2014 – *Eur6,800*) and *Eur6,616* (2014 – *Eur14,370*) respectively.

10. Key management personnel compensation

	Group and Holding	
	2015 Eur	2014 Eur
Directors' compensation:		
Short term benefits:		
Fees	36,000	36,000
Management Remuneration	268,463	155,916
Other key management personnel compensation:		
Short term benefits:		
Salaries and social security contribution	383,372	768,572
	<u>687,835</u>	<u>960,488</u>

Notes to the financial statements

31 December 2015

10. Key management personnel compensation (continued)

During the year under review, the company maintained professional indemnity insurance for its directors. The aggregate amount of premiums paid in respect thereof amounted to *Eur*9,671 (2014 – *Eur*10,023). These amounts are included with administrative expenses.

11. Staff costs and employee information

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
<i>Staff costs:</i>				
Wages and salaries	23,188,859	21,820,615	641,317	805,971
Social security costs	4,947,900	4,669,813	10,518	15,927
	<u>28,136,759</u>	<u>26,490,428</u>	<u>651,835</u>	<u>821,898</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 company excluding executive directors, was made up as follows:

	Group		Holding	
	2015	2014	2015	2014
	Number	Number	Number	Number
Operations	2,537	2,381	-	-
Administration	151	157	9	12
	<u>2,688</u>	<u>2,538</u>	<u>9</u>	<u>12</u>

12. Income tax expense/(credit)

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Current tax expense	1,118,113	634,857	25,185	18,678
Deferred tax credit	(747,419)	(297,070)	(699,788)	(175,147)
	<u>370,694</u>	<u>337,787</u>	<u>(674,603)</u>	<u>(156,469)</u>

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

The tax rate used for the 2015 and 2014 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

31 December 2015

12. Income tax expense/(credit) (continued)

	Group		Holding	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Profit/ (Loss) for the year before tax	<u>1,696,299</u>	<u>1,486,326</u>	<u>(2,266,013)</u>	<u>174,321</u>
Tax at the applicable rate of 35%	593,705	520,214	(793,105)	61,012
Tax effect of:				
Non-deductability of depreciation and amortisation	155,013	297,295	-	2,520
Write off foreign tax	15,299	-	15,299	-
Effect of interest charged at 15%	(13,182)	-	(13,182)	-
Deferred tax not accounted for	-	-	-	-
Disallowable expenses	142,802	(44,834)	113,176	2,506
Effect of different tax rates of subsidiaries	(908,060)	(628,676)	-	-
Profits not chargeable to tax and tax exemptions	-	(25,807)	-	(225,308)
Prior year under provided tax	-	(71,997)	-	-
Tax on dividends	375,000	227,500	-	-
Other differences	<u>10,117</u>	<u>64,092</u>	<u>3,209</u>	<u>2,801</u>
Income tax expense/(credit) for the year	<u>370,694</u>	<u>337,787</u>	<u>(674,603)</u>	<u>(156,469)</u>

13. Dividends

Group

In respect of current year a net dividend of *Eur1,730,000* (*Eur12.74c* per ordinary share) (2014 – *Eur500,000* (*Eur3.68c* per ordinary share)) was paid to ordinary shareholders. No final dividend is being recommended.

Holding company

In respect of current year a net dividend of *Eur1,730,000* (*Eur12.74c* per ordinary share) (2014 – *Eur500,000* (*Eur3.68c* per ordinary share)) was paid to ordinary shareholders. No final dividend is being recommended.

Notes to the financial statements

31 December 2015

14. Intangible assets

Group

	Support services licence Eur	Computer software Eur	Acquired rights and franchise fee Eur	Total Eur
Cost				
At 01.01.2014	12,366,964	377,433	771,486	13,515,883
Additions	-	99,476	76,893	176,369
Transfers	-	23,683	-	23,683
Disposals	-	(18,370)	-	(18,370)
At 01.01.2015	12,366,964	482,222	848,379	13,697,565
Additions	-	80,695	350,223	430,918
Disposals	-	(2,179)	(25,564)	(27,743)
At 31.12.2015	12,366,964	560,738	1,173,038	14,100,740
Amortisation				
At 01.01.2014	3,710,096	94,565	348,466	4,153,127
Provision for the year	618,351	91,573	28,523	738,447
Released on disposal	-	(18,368)	-	(18,368)
At 01.01.2015	4,328,447	167,770	376,989	4,873,206
Provision for the year	618,352	114,526	27,297	760,175
Released on disposal	-	(2,179)	(22,744)	(24,923)
At 31.12.2015	4,946,799	280,117	381,542	5,608,458
Carrying amount				
At 31.12.2014	8,038,517	314,452	471,390	8,824,359
At 31.12.2015	7,420,165	280,621	791,496	8,492,282

Notes to the financial statements

31 December 2015

14. Intangible assets (continued)

Holding company

	Support services licence Eur	Computer Software Eur	Total Eur
Cost			
At 01.01.2014	12,197,438	167,256	12,364,694
Additions	-	23,683	23,683
At 01.01.2015 / 31.12.2015	<u>12,197,438</u>	<u>190,939</u>	<u>12,388,377</u>
Amortisation			
At 01.01.2014	3,659,247	55,140	3,714,387
Provision for the year	609,876	47,735	657,611
At 01.01.2015 / 31.12.2015	4,269,123	102,875	4,371,998
Provision for the year	609,876	47,735	657,611
At 31.12.2015	<u>4,878,999</u>	<u>150,610</u>	<u>5,029,609</u>
Carrying amount			
At 31.12.2014	<u>7,928,315</u>	<u>88,064</u>	<u>8,016,379</u>
At 31.12.2015	<u><u>7,318,439</u></u>	<u><u>40,329</u></u>	<u><u>7,358,768</u></u>

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 support services licence with a carrying amount of *Eur7,318,439* will be fully amortised by 2027, and relates to the licence paid to Mc Donald's corporation to operate the Mc Donald's brand in the Baltic countries.

Notes to the financial statements

31 December 2015

15. Property, plant and equipment Group

Cost	Land and buildings	Improvements to premises	Motor vehicles	Plant and equipment	Other equipment	Total
	Eur	Eur	Eur	Eur	Eur	Eur
At 01.01.2014	16,331,668	10,643,787	317,785	26,726,399	5,156,577	59,176,216
Additions	911,257	1,181,468	127,280	1,829,383	2,519,167	6,568,555
Disposals	(341,387)	(1,115,242)	-	(1,033,132)	(932,938)	(3,422,699)
Transfers	82,254	(41,809)	-	(23,683)	(40,445)	(23,683)
At 01.01.2015	16,983,792	10,668,204	445,065	27,498,967	6,702,361	62,298,389
Additions	1,000,372	1,337,429	4,000	3,191,057	1,770,829	7,303,687
Disposals	(20,436)	(201,137)	(71,280)	(1,407,950)	(577,151)	(2,277,954)
Transfers	(61,027)	54,534	-	76,724	(70,231)	-
At 31.12.2015	17,902,701	11,859,030	377,785	29,358,798	7,825,808	67,324,122
Accumulated depreciation						
At 01.01.2014	7,283,114	6,968,496	252,489	14,062,339	2,278,997	30,845,435
Provision for the year	1,071,356	934,081	36,777	1,480,142	1,618,830	5,141,186
Released on disposal	(188,482)	(1,112,156)	-	(974,879)	(818,945)	(3,094,462)
Transfers	1,888	(1,888)	-	-	-	-
At 01.01.2015	8,167,876	6,788,533	289,266	14,567,602	3,078,882	32,892,159
Provision for the year	1,082,262	938,197	32,897	1,794,596	1,794,402	5,642,354
Released on disposal	(19,453)	(183,794)	(30,784)	(1,333,949)	(474,381)	(2,042,361)
Transfers	-	(1,251)	-	1,166	85	-
Impairment	-	-	-	-	150,466	150,466
At 31.12.2015	9,230,685	7,541,685	291,379	15,029,415	4,549,454	36,642,618
Carrying amount						
At 31.12.2014	8,815,916	3,879,671	155,799	12,931,365	3,623,479	29,406,230
At 31.12.2015	8,672,016	4,317,345	86,406	14,329,383	3,276,354	30,681,504

Notes to the financial statements

31 December 2015

15. Property, plant and equipment (continued)

Group (continued)

No interest has been capitalised by the group during 2015 and 2014. The group's property, plant and equipment with a carrying amount of *Eur31m* (2014 - *Eur29m*) 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 *Eur150,466* (2014 – *nil*). These impairment losses on other equipment are included with administrative expenses.

Holding

	Motor Vehicles Eur	Furniture, fixtures and other equipment Eur	Total Eur
Cost			
At 01.01.2014	50,000	162,249	212,249
Additions	-	30,295	30,295
Transfers	-	(23,683)	(23,683)
Disposals	-	(33,883)	(33,883)
At 01.01.2015	50,000	134,978	184,978
Additions	-	4,374	4,374
Disposals	(50,000)	-	(50,000)
At 31.12.2015	-	139,352	139,352
Accumulated depreciation			
At 01.01.2014	20,000	109,633	129,633
Provision for the year	10,000	24,331	34,331
Released on disposal	-	(22,321)	(22,321)
At 01.01.2015	30,000	111,643	141,643
Provision for the year	-	11,748	11,748
Released on disposal	(30,000)	-	(30,000)
At 31.12.2015	-	123,391	123,391
Carrying amount			
At 31.12.2014	20,000	23,335	43,335
At 31.12.2015	-	15,961	15,961

Notes to the financial statements

31 December 2015

16. Deferred taxation

Group

	Opening balance Eur	Recognised in profit and loss Eur	Closing balance Eur
Deferred tax assets			
2014			
<i>Arising on:</i>			
Temporary differences on			
tangible assets	89,598	143,845	233,443
Unused tax losses	<u>1,848,909</u>	<u>(67,817)</u>	1,781,092
	<u>1,938,507</u>	<u>76,028</u>	2,014,535
2015			
<i>Arising on:</i>			
Temporary differences on			
tangible assets	233,443	(1,854)	231,589
Unused tax losses	<u>1,781,092</u>	<u>482,609</u>	2,263,701
	<u>2,014,535</u>	<u>480,755</u>	2,495,290
Deferred tax liabilities			
2014			
<i>Arising on:</i>			
Temporary differences on			
intangible assets	2,928,473	(242,964)	2,685,509
Temporary differences on			
property, plant and equipment	<u>574,617</u>	<u>21,922</u>	596,539
	<u>3,503,090</u>	<u>(221,042)</u>	3,282,048
2015			
<i>Arising on:</i>			
Temporary differences on			
intangible assets	2,685,509	(235,255)	2,450,254
Temporary differences on			
property, plant and equipment	<u>596,539</u>	<u>(31,409)</u>	565,130
	<u>3,282,048</u>	<u>(266,664)</u>	3,015,384

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 *Eur19,362,547* (2014 – *Eur5,916,035*).

Notes to the financial statements

31 December 2015

16. Deferred taxation (continued)

Holding

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2014			
<i>Arising on:</i>			
Unused tax losses	<u>1,546,994</u>	<u>(67,817)</u>	<u>1,479,177</u>
2015			
<i>Arising on:</i>			
Unused tax losses	<u>1,479,177</u>	<u>464,533</u>	<u>1,943,710</u>
Deferred tax liabilities			
2014			
<i>Arising on:</i>			
Temporary differences on intangible assets	<u>2,928,473</u>	<u>(242,964)</u>	<u>2,685,509</u>
2015			
<i>Arising on:</i>			
Temporary differences on intangible assets	<u>2,685,509</u>	<u>(235,255)</u>	<u>2,450,254</u>

Deferred tax assets have been recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The deferred tax asset arising on unutilised tax losses reverses when dividends are declared from the subsidiaries.

Notes to the financial statements

31 December 2015

17. Financial assets

(a) Investments in subsidiaries

	Holding Investments in subsidiaries Eur
Cost	
At 01.01.2014	25,252,042
Disposals	<u>(5,826,261)</u>
At 01.01.2015	19,425,781
Disposals	<u>(1)</u>
At 31.12.2015	<u>19,425,780</u>

During the year under review the company disposed of its 1 share investment of *Eur1* in Premier Assets Malta Ltd following the merger of the latter into Premier Restaurants Malta Ltd.

During 2014, the company disposed of its entire investment of *Eur5,826,261* in SIA Premier Restaurants Latvia to one of its subsidiaries, Premier Capital B.V., for a consideration of *Eur5,900,000*. This change in the ownership did not result in a change in the classification of SIA Premier Restaurants Latvia as a subsidiary.

17. Financial assets (continued)

Details of the company's subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Holding	Proportion of voting power held 2015 %	Proportion of voting power held 2014 %	Principal activity
SIA Premier Restaurants Latvia	Latvia	100	100	Indirect	100	100	Operates McDonald's restaurants in Latvia
AS Premier Restaurants Eesti	Estonia	100	100	Indirect	100	100	Operates McDonald's restaurants in Estonia
Premier Restaurants UAB	Lithuania	100	100	Indirect	100	100	Operates McDonald's restaurants in Lithuania
Premier Restaurants Malta Limited	Malta	100	100	Direct	100	100	Operates McDonald's restaurants in Malta
Arcades Limited	Malta	99.88	99.88	Indirect	99.88	99.88	Operates McDonald's restaurants in Malta
Premier Arcades Limited	Malta	100	100	Indirect	100	100	Holding Company
Premier Assets (Malta) Limited	Malta	Nil (*)	100	2015 - Nil (2014 - Indirect)	0	100	Leasing of property, plant and equipment and intangible assets
Premier Capital B.V.	Netherlands	100	100	Direct	100	100	Holding Company
Premier Capital Hellas S.A.	Greece	100	100	Indirect	100	100	Operates McDonald's restaurants in Greece

(*) merged with Premier Restaurants Malta Limited

Notes to the financial statements

31 December 2015

17. Financial assets (continued)

(b) Available-for-sale investments

Group

	Local listed debt Eur
Fair value	
At 01.01.2014	538,545
Additions	1,061,837
Increase in fair value	190,589
At 31.12.2014	<u>1,790,971</u>
Additions	356,250
Increase in fair value	134,022
Disposal	(523,750)
At 31.12.2015	<u><u>1,757,493</u></u>

As at 31 December 2014, available-for-sale investments amounting to Eur1,267,221 were classified as non-current assets and Eur523,750 were classified with current assets.

These financial assets represent investments of Eur1,757,493 (2014 – Eur1,267,221) in 2.3% - 4.5% Malta Government Stock 2028 - 2040. During the year, the group disposed of its investment of Eur523,750 (2014 – Eur Nil) held in local bonds issued by a related party which presented the group with opportunity for return through interest income.

Holding

	Local listed debt Eur
Fair value	
At 01.01.2014	538,545
Additions	538,087
Increase in fair value	190,589
At 31.12.2014	<u>1,267,221</u>
Additions	356,250
Increase in fair value	134,022
At 31.12.2015	<u><u>1,757,493</u></u>

Notes to the financial statements

31 December 2015

17. Financial assets (continued)

(b) Available-for-sale investments (continued)

These financial assets represent investments in 2.3% - 4.5% Malta Government Stock 2028 - 2040 which present the company with opportunity for return through interest income.

Available-for-sale financial assets have been earmarked to build up the sinking fund in accordance with the prospectus (note 24).

(c) Other financial assets

At 31 December 2015 the company held funds of *Eur1,281,095* (2014 – *Eur581,321*) with HSBC Bank Malta p.l.c. as trustee of the funds allocated to the sinking fund in accordance with the prospectus (Note 24).

(d) Loans and receivables

	Group			Holding	
	Loans to other related parties Eur	Total Eur	Loan to subsidiaries Eur	Loans to other related parties Eur	Total Eur
Amortised cost					
At 01.01.2014	1,045,413	1,045,413	10,589,124	180,730	10,769,854
Increase	3,759,641	3,759,641	10,670,102	1,513,005	12,183,107
Repayments	(4,562,195)	(4,562,195)	(1,739,124)	(1,450,000)	(3,189,124)
At 01.01.2015	242,859	242,859	19,520,102	243,735	19,763,837
Increase	1,936,922	1,936,922	4,039,085	672,441	4,711,526
Assignment of debt	(345,135)	(345,135)	-	(345,135)	(345,135)
Repayments	(1,648,865)	(1,648,865)	(1,950,100)	(425,856)	(2,375,956)
At 31.12.2015	185,781	185,781	21,609,087	145,185	21,754,272
Carrying amount					
At 31.12.2014	242,859	242,859	19,520,102	243,735	19,763,837
Less: Amount expected to be settled within 12 months (shown under current assets)	(242,859)	(242,859)	(2,100,100)	(243,735)	(2,343,835)
Amount expected to be settled after 12 months	-	-	17,420,002	-	17,420,002
At 31.12.2015	185,781	185,781	21,609,087	145,185	21,754,272
Less: Amount expected to be settled within 12 months (shown under current assets)	(185,781)	(185,781)	(1,689,085)	(145,185)	(1,834,270)
Amount expected to be settled after 12 months	-	-	19,920,002	-	19,920,002

Notes to the financial statements

31 December 2015

17. Financial assets (continued)

(d) Loans and receivables (continued)

Loans to subsidiaries

Holding

Loans to subsidiaries amounting to *Eur Nil* (2014 – *Eur7,400,000*) bear interest at the rate of 6.8% per annum, loans amounting to *Eur19,920,002* (2014 – *Eur8,800,002*) bear interest at the rate of 5% per annum, whereas another loan amounting to *Eur 4,200,000* (2014 – *Eur1,220,000*) is interest free and repayable on demand. The above loans are unsecured and are not expected to be settled within 12 months of the end of the reporting period. The remaining loans amounting to *Eur169,085* (2014 – *Eur2,100,100*) are unsecured, interest free and repayable on demand.

Loans to other related parties

Holding

Loans to related parties amounting to *Eur145,185* (2014 – *Eur180,730*) are unsecured, interest free and repayable on demand. These loans are expected to be settled within 12 months.

Group

Loans to related parties amounting to *Eur185,781* (2014 – *Eur242,859*) are unsecured, interest free and repayable on demand. These loans are expected to be settled within 12 months.

18. Prepayments

These relate mainly to prepaid rents and guarantee deposits made by the group's subsidiaries. The total amount as at the end of the reporting period stands at *Eur1,439,846* (2014 – *Eur1,523,470*) after having recorded such prepayments within a twelve month period of *Eur231,567* (2014 – *Eur264,316*) as current assets.

19. Inventories

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Raw materials and consumables	<u>3,011,095</u>	<u>2,939,469</u>	<u>-</u>	<u>-</u>

The amount of inventories recognised as an expense during the year amounted to *Eur30,314,668* (2014 – *Eur29,210,214*).

Notes to the financial statements

31 December 2015

20. Trade and other receivables

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Trade receivables	45,318	90,707	-	-
Other receivables	638,586	435,451	199,653	35,385
Amounts due from related companies	12,910	19,798	-	-
Amounts due from subsidiaries	-	-	1,299,560	651,306
Prepayments and accrued income	691,691	836,855	50,508	76,265
	<u>1,388,505</u>	<u>1,382,811</u>	<u>1,549,721</u>	<u>762,956</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.

21. Trade and other payables

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Trade payables	5,985,624	5,694,489	29,668	24,119
Other payables	923,213	1,063,086	9,794	17,012
Social security liabilities	889,843	1,044,714	-	-
VAT and other liabilities	1,669,336	1,349,018	-	-
Amounts due to related companies	77,728	87,890	-	-
Accruals and deferred income	3,612,331	3,724,976	1,476,061	1,433,358
	<u>13,158,075</u>	<u>12,964,173</u>	<u>1,515,523</u>	<u>1,474,489</u>

No interest is charged on trade and other payables.

Notes to the financial statements

31 December 2015

22. Other financial liabilities

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Amounts due to related companies	1,092,836	347,246	809,302	347,246
Amounts due to subsidiaries	-	-	9,726,986	6,154,036
Derivative financial liability held for trading	96,006	104,104	-	-
	<u>1,188,842</u>	<u>451,350</u>	<u>10,536,288</u>	<u>6,501,282</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,092,836)</u>	<u>(347,246)</u>	<u>(1,392,043)</u>	<u>(537,037)</u>
Amount due for settlement after 12 months	<u>96,006</u>	<u>104,104</u>	<u>9,144,245</u>	<u>5,964,245</u>

Other financial liabilities are repayable as follows:

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
On demand or within				
One year	1,092,836	347,246	1,392,043	537,037
Between two and five years	96,006	104,104	9,144,245	5,964,245
	<u>1,188,842</u>	<u>451,350</u>	<u>10,536,288</u>	<u>6,501,282</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(1,092,836)</u>	<u>(347,246)</u>	<u>(1,392,043)</u>	<u>(537,037)</u>
Amount due for settlement after 12 months	<u>96,006</u>	<u>104,104</u>	<u>9,144,245</u>	<u>5,964,245</u>

The balances due to related companies by the group and the company are unsecured, interest free and repayable on demand, except for *Eur800,000* in 2015 which bear interest at the rate of 5% per annum.

Included in the amounts owed to subsidiaries by the company, is an amount of *Eur9,144,245* (2014 – *Eur1,350,000*) which is unsecured and bear interest at the rate of 5% per annum. In 2014, *Eur4,614,245* were unsecured and bore interest at the rate of 3-month EURIBOR +2.95%. All other loans are interest-free.

Notes to the financial statements

31 December 2015

22. Other financial liabilities (continued)

Derivative financial instruments of *Eur96,006* (2014 – *Eur 104,104*) comprise an interest rate swap whereby one of the subsidiaries of the group had entered into a contract to swap the floating rate on bank loans (note 23) to a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur96,006* (2014 – *Eur104,104*) is classified with non-current liabilities.

The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to *Eur10,508,109* and the swap matures on the 26 August 2019.

At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 0.535% (2014 – 0.535%). The floating rate is three-month EURIBOR. The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

23. Bank overdrafts and loans

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Bank overdrafts	1,697,014	970,016	951,828	-
Bank loans	10,631,062	10,704,233	-	-
	12,328,076	11,674,249	951,828	-

Notes to the financial statements

31 December 2015

23. Bank overdrafts and loans (continued)

Bank overdrafts and loans are repayable as follows:

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
On demand or within				
one year	4,042,272	3,157,516	951,828	-
In the second year	7,689,503	2,187,500	-	-
In the third year	260,438	2,187,500	-	-
In the fourth year	273,354	2,187,500	-	-
In the fifth year	62,509	1,954,233	-	-
	12,328,076	11,674,249	951,828	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(4,042,272)	(3,157,516)	(951,828)	-
Amounts due for settlement after 12 months	8,285,804	8,516,733	-	-

Holding

During the year, the company took a new overdraft facility which had a balance as at year end of *Eur951,828* (2014 – *Eur Nil*) with a facility limit of *Eur1,000,000* and bearing interest at the rate of 3.25% per annum over the 3-month EURIBOR. The loan is secured by a first general hypothec over the assets of the company.

Group

The loan that SIA Premier Restaurants Latvia had taken from AS DNB Banka during 2012 has a drawdown limit of *Eur17,500,000*, of which *Eur17,500,000* had been drawn down at year end (2014 – *Eur16,523,733*), and has been granted at adjusted 3-month EURIBOR +2.75%. The loan is secured by a pledge agreement between the bank and the company, together with pledges over the Baltic subsidiaries' shares and a pledge over the subsidiaries' immovable and movable property. The balance on this loan at 31 December 2015 amounted to *Eur9,550,220* (2014 – *Eur10,704,233*).

Before the date of signing of these financials statements, SIA Premier Restaurants Latvia made negotiations with AS DNB Banka to extend the maturity term of the loan up to June 2021.

Notes to the financial statements

31 December 2015

23. Bank overdraft and loans (continued)

The remaining bank borrowings relate to an overdraft balance of Eur745,186 (2014 – Eur970,016) of a group subsidiary in Malta, namely Premier Restaurants Malta Limited with a limit of Eur1,000,000 (2014 – Eur1,000,000) and bearing interest at 250 basis point over the bank's base rate, presently 2.35% (2014: 2.5%) per annum. Premier Restaurants Malta Limited also has an additional loan facility of Eur1,250,000 of which Eur1,250,000 had been drawn down at year end (2014 – Eur Nil). These facilities are secured by a first general hypothec over the assets of the subsidiary company, over those of related companies, as well as by guarantees provided by shareholders and related companies together with pledges on various insurance policies. The balance on this loan at 31 December 2015 amounted to *Eur1,080,842* (2014 – *Eur Nil*).

24. Debt securities in issue

	Group and Holding	
	2015	2014
	Eur	Eur
6.8% unsecured bonds redeemable 2017-2020	<u>24,394,893</u>	<u>24,336,986</u>

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

According to clause 20.11 of the bond issue prospectus dated 1 March 2010, "The issuer (Premier Capital 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 has appointed HSBC Bank Malta p.l.c. as trustee of the funds allocated to the sinking fund in accordance with the prospectus.

In view of the sinking fund commitment, until 31 December 2015 the company redeemed *Eur359,000* (2014 – *Eur359,000*) in nominal value of bonds thereby reducing the sinking fund requirement by this amount. The company has also put aside funds in the form of cash (note 17c) and financial instruments (note 17b) amounting to in total *Eur3,038,588* (2014 – *Eur1,848,542*).

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

Notes to the financial statements

31 December 2015

24. Debt securities in issue (continued)

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of *Eur246,107* (2014 – *Eur304,014*) which are being amortised over the life of the bonds. The market value of debt securities on the last trading day before the statement of financial position date was *Eur25,873,050* (2014 – *Eur26,471,826*).

25. Share capital

	2015 and 2014	
	Authorised	Issued and called up
	Eur	Eur
47,637 ordinary 'A' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
47,637 ordinary 'B' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
47,637 ordinary 'C' shares of Eur100 each, of which 45,249 have been issued and called up	4,763,700	4,524,900
	<u>14,291,100</u>	<u>13,574,700</u>

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

Notes to the financial statements

31 December 2015

26. Other equity

Group

	Legal reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2014	163,366	(1,518,553)	(1,355,187)
Transfer from retained earnings	127,782	-	127,782
Transfer from minority interest	-	455,878	455,878
	<u>291,148</u>	<u>(1,062,675)</u>	<u>(771,527)</u>
Balance at 1 January 2015	291,148	(1,062,675)	(771,527)
Transfer from retained earnings	230,780	-	230,780
Loan earmarked for capitalisation	-	1,000,000	1,000,000
	<u>521,928</u>	<u>(62,675)</u>	<u>459,253</u>
Balance at 31 December 2015	<u>521,928</u>	<u>(62,675)</u>	<u>459,253</u>

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

The other reserve represents a cash capital contribution made by the parent company to one of its subsidiaries attributable to non-controlling interests amounting to *Eur370,825*, a loss offset reserve of *Eur212,351*, a loan earmarked for capitalisation of *Eur1,000,000* and the effect of acquisition of part of a non-controlling interest amounting to *Eur1,360,079*. During the year 2014, the group gained full control in the subsidiary Premier Restaurants Malta Limited resulting in a movement in the other reserve of *Eur455,878*.

Holding

	Other reserve Eur
Balance at 1 January 2014	212,351
Balance at 1 January 2015	212,351
Loan earmarked for capitalisation	1,000,000
	<u>1,212,351</u>
Balance at 31 December 2015	<u>1,212,351</u>

The other reserve represents a loss offset reserve amounting to *Eur212,351* for the purpose of offsetting any losses that may be incurred by the company from time to time and was created by a reduction of share capital in 2010.

The loan earmarked for capitalisation in the other reserve represent a capital contribution from the shareholders and is unsecured, interest-free and repayable exclusively at the option of the company.

Notes to the financial statements

31 December 2015

27. 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	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Cash at bank and on hand	4,362,715	3,801,085	45,392	572,435
Bank overdrafts	(1,697,014)	(970,016)	(951,828)	-
	<u>2,665,701</u>	<u>2,831,069</u>	<u>(906,436)</u>	<u>572,435</u>

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2015 was 1% - 3% (2014 – 2% - 3%). The interest rate on bank overdrafts is disclosed in note 23.

28. Significant non-cash transactions

During 2015 there was the following significant non-cash transaction:

- a) As explained in note 13, the company declared a dividend of *Eur1,000,000* to its shareholder, which amount has been earmarked for capitalisation and is included with equity.

During 2014 there was the following significant non-cash transaction:

- b) As explained in more detail in note 17a, during the year the company disposed of its investment in SIA Premier Restaurants Latvia. The consideration has not yet been paid as at 31 December 2015.

29. Disposal of subsidiary

2014

As disclosed in note 17a, during 2014 the company disposed of its investment in SIA Premier Restaurants Latvia to one of its subsidiaries, Premier Capital B.V., for a consideration of *Eur5,900,000*.

	2014 Eur
Holding	
Consideration receivable	5,900,000
Cost of investment	(5,826,262)
Gain on disposal (note 7)	<u>73,738</u>

Notes to the financial statements

31 December 2015

30. Related party disclosures

Premier Capital p.l.c. is the parent company of the undertakings highlighted in note 17.

The ultimate parent company of Premier Capital p.l.c. is Hili Ventures Limited which is incorporated in Malta.

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

Group

	2015			2014		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Administrative expenses: <i>Related party transactions with:</i>						
Other related parties	1,733,536			1,649,323		
Key management personnel	687,835			960,488		
	<u>2,421,371</u>	<u>8,385,246</u>	<u>29</u>	<u>2,609,811</u>	<u>7,562,721</u>	<u>35</u>
Investment income: <i>Related party transactions with:</i>						
Subsidiaries						
Other related parties	891	90,177	1	40,059	94,824	42

Notes to the financial statements

31 December 2015

30. Related party disclosures (continued)

Holding

	2015			2014		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur	%	Eur	Eur	%
Other operating income:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>1,128,012</u>	<u>1,128,012</u>	<u>100</u>	<u>1,582,007</u>	<u>1,589,682</u>	<u>100</u>
Administrative Expenses						
<i>Related party transactions with:</i>						
Subsidiaries	26,262			13,105		
Other related parties	427,416			104,277		
Key management personnel	<u>687,835</u>			<u>960,488</u>		
	<u>1,141,513</u>	<u>2,146,345</u>	<u>53</u>	<u>1,077,870</u>	<u>2,125,800</u>	<u>51</u>
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries	899,918			2,606,159		
Other related parties	<u>891</u>			<u>9,219</u>		
	<u>900,809</u>	<u>969,789</u>	<u>93</u>	<u>2,615,378</u>	<u>2,664,600</u>	<u>98</u>
Finance costs:						
<i>Related party transactions with:</i>						
Subsidiaries	394,127			145,274		
Other related parties	<u>5,370</u>			<u>5,520</u>		
	<u>399,497</u>	<u>2,217,469</u>	<u>18</u>	<u>150,794</u>	<u>1,954,161</u>	<u>8</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 17, 20, 21 and 22. Other than as disclosed in the respective notes, no guarantees have been given or received.

As explained in note 17a, during the year 2014 the company disposed of its entire investment of *Eur*5,826,262 in SIA Premier Restaurants Latvia to one of its subsidiaries, Premier Capital B.V., for a consideration of *Eur*5,900,000. As explained in note 17b, during the year 2014 the group purchased local bonds issued by a related party amounting to *Eur*523,750, which were sold during the year 2015.

Notes to the financial statements

31 December 2015

31. Operating leases

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
<i>Operating leases recognised as expense for the year</i>				
Minimum lease payments under operating leases	180,623	273,122	46,476	55,356
Contingent rent	6,685,972	6,265,969	-	-
	<u>6,866,595</u>	<u>6,539,091</u>	<u>46,476</u>	<u>55,356</u>

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

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

	2015	2014
	Eur	Eur
Within one year	5,389,786	5,001,235
Between two to five years	18,015,161	17,356,627
Over five years	28,822,038	28,826,333
	<u>52,226,985</u>	<u>51,184,195</u>

32. Commitments

- (i) The subsidiaries operate under franchise agreements ('the Agreement') entered into with McDonald's International Property Company ('the Franchisor'). The franchise agreements are for a period of 20 years which allows the respective company to use the McDonald's system in the restaurants. These franchise 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.

Notes to the financial statements

31 December 2015

32. Commitments (continued)

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

	Group		Holding	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Contracted but not provided for	<u>239,340</u>	<u>340,878</u>	<u>-</u>	<u>-</u>

33. Contingent liabilities

At the end of the reporting period, the company acted as a guarantor for bank facilities held in the name of its subsidiaries. The company guaranteed *Eur4,999,499* (2014 – *Eur4,999,499*) in favour of Premier Restaurants Malta Ltd, and guaranteed the amount of *Eur17,500,000* (2014 – *Eur17,500,000*) in favour of SIA Premier Restaurants (Latvia subsidiary), on the loan which the latter has with AS DNB Banka, which as at 31 December 2015 amounted to *Eur9,550,220* (2014 – *Eur10,704,233*).

Certain subsidiaries of the group, have also guaranteed the amount of *Eur8,223,658* (2014 – *Eur8,390,757*) in favour of related companies in connection with bank facilities of the respective related company.

34. Fair value of financial assets and financial liabilities

At 31 December 2015 and 2014 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than the shares in subsidiary companies that are carried at cost, and the debt securities in issue (where fair value is disclosed in note 24), are not materially different from their carrying amounts.

Notes to the financial statements

31 December 2015

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

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	Level 2	Level 3	
	Eur	Eur	Eur	
Financial assets measured at fair value				
<i>Available-for-sale investments</i>				
Local listed debt instruments				
As at 31.12.2014	1,267,221	-	-	1,267,221
As at 31.12.2015	1,757,493	-	-	1,757,493
Financial liabilities at fair value through profit or loss				
<i>Financial liabilities held for trading</i>				
Derivative financial instruments				
As at 31.12.2014	-	104,104	-	104,104
As at 31.12.2015	-	96,006	-	96,006

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 the rates at end of the reporting period and the credit risk inherent in the contract.

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.

Notes to the financial statements

31 December 2015

34. 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 related parties					
As at 31.12.2014	-	242,859	-	242,859	242,859
As at 31.12.2015	-	185,781	-	185,781	185,781
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to related parties	-	347,246	-	347,246	347,246
Bank loans	-	10,704,233	-	10,704,233	10,704,233
Debt securities	26,471,826	-	-	26,471,826	24,336,986
As at 31.12.2014	26,471,826	11,051,479	-	37,523,305	35,388,465
Amounts due to related parties	-	1,092,836	-	1,092,836	1,092,836
Bank loans	-	10,631,062	-	10,631,062	10,631,062
Debt securities	25,873,050	-	-	25,873,050	24,394,893
As at 31.12.2015	25,873,050	11,723,898	-	37,596,948	36,118,791

Holding

	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	-	19,520,102	-	19,520,102	19,520,102
Receivables from related parties	-	243,735	-	243,735	243,735
As at 31.12.2014	-	19,763,837	-	19,763,837	19,763,837
Financial assets					
<i>Loans and receivables</i>					
Receivables from subsidiaries	-	21,609,087	-	21,609,087	21,609,087
Receivables from related parties	-	145,185	-	145,185	145,185
As at 31.12.2015	-	21,754,272	-	21,754,272	21,754,272
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to related parties	-	6,501,282	-	6,501,282	6,501,282
Debt securities	26,471,826	-	-	26,471,826	24,336,986
As at 31.12.2014	26,471,826	6,501,282	-	32,973,108	30,838,268
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Amounts due to related parties	-	10,536,288	-	10,536,288	10,536,288
Debt securities	25,873,050	-	-	25,873,050	24,394,893
As at 31.12.2015	25,873,050	10,536,288	-	36,409,338	34,931,181

Notes to the financial statements

31 December 2015

35. Financial risk management

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

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

Where possible, the group aims to reduce and control risk concentrations. 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 loans and receivables, debt securities held, available-for-sale investments and cash at bank. 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 and the sinking fund are placed with reliable financial institutions with a credit rating of A1 at year end (2014 – 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 company's concentration to credit risk arising from these receivables is considered limited as there were no indications that these counterparties are unable to meet their obligations.

Management considers the credit quality of these financial assets as being acceptable.

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 33.

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

Notes to the financial statements

31 December 2015

35. 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 entered into by the company's subsidiaries in their local currency is mitigated by the fact that such currency has joined the Exchange Rate Mechanism (ERM II) as follows:

The Lithuanian Litas joined the Exchange Rate Mechanism (ERM II) on 28 June 2004, and observes a central rate of 3.4528 to the Euro with standard fluctuation margins of +/- 15%. Lithuania adopted the Euro on 1 January 2015.

The functional currency of all the other subsidiaries was the Euro both in the current year and in the prior year.

Interest rate risk

The group has taken out bank and debt securities to finance its operations as disclosed in notes 23 and 24. 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 17, 22, 23, 24 and 27 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 an interest rate swap to hedge its exposure arising from floating interest rates on the majority of its bank loans.

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

A sensitivity analysis is not being included since the interest rate risk exposure for both the group and the company is not material.

Notes to the financial statements

31 December 2015

35. Financial risk management (continued)

Liquidity risk

The group and the 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.

The group and the 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 21, 22, 23, and 24). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's and group's obligations.

At the end of the reporting period, the group reported a net current liability position of *Eur9,208,341* (2014 – *Eur6,959,810*). This arose principally because 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 *Eur6,484,605* (2014 – *Eur6,744,923*) in property, plant and equipment without the need to resort to additional loan facilities, whilst *Eur1,250,000* were financed through a new banking facility at Malta level drawn down during the year. The group also made use of an overdraft facility of *Eur951,828* used to support its operations in Greece in meeting its foreign payments obligation after the introduction of capital controls by the Greek government.

As disclosed in note 23, before the date of signing of these financials statements, SIA Premier Restaurants Latvia negotiated to extend the maturity term of the loan with AS DNB Banka up to June 2021 and also have been granted an additional facility of *Eur3,500,000* with the same maturity term.

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

Notes to the financial statements

31 December 2015

35. 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
2015				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	13,450,911	-	-	13,450,911
Variable rate instruments	4,411,239	8,705,941	-	13,117,180
Fixed rate instruments	2,475,588	30,016,845	-	32,492,433
Derivative financial liabilities	-	96,006	-	96,006
	<u>20,337,738</u>	<u>38,818,792</u>	<u>-</u>	<u>59,156,530</u>
2014				
<i>Non-derivative financial liabilities</i>				
Non-interest bearing	13,311,419	-	-	13,311,419
Variable rate instruments	3,495,994	9,106,497	-	12,602,491
Fixed rate instruments	1,675,588	6,702,352	24,990,081	33,368,021
Derivative financial liabilities	-	104,104	-	104,104
	<u>18,483,001</u>	<u>15,912,953</u>	<u>24,990,081</u>	<u>59,386,035</u>

Notes to the financial statements

31 December 2015

35. Financial risk management (continued)

Liquidity risk (continued)

Holding

	On demand or within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	Total Eur
2015				
Non-derivative financial liabilities				
Non-interest bearing Variable rate instruments	2,107,565	-	-	2,107,565
Fixed rate instruments	951,828	-	-	951,828
	2,932,800	40,989,940	-	43,922,740
	<u>5,992,193</u>	<u>40,989,940</u>	<u>-</u>	<u>46,982,133</u>
2014				
Non-derivative financial liabilities				
Non-interest bearing Variable rate instruments	2,011,526	-	-	2,011,526
Fixed rate instruments	298,212	1,192,849	6,262,457	7,753,519
	1,675,588	6,702,352	24,990,081	33,368,021
	<u>3,985,326</u>	<u>7,895,201</u>	<u>31,252,538</u>	<u>43,133,065</u>

Derivative financial instruments

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

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

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

Capital risk management

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

The capital structure of the group consists of items presented within equity in the statement of financial position, debt securities and bank borrowings as disclosed in notes 23 and 24 and cash and cash equivalents as disclosed in note 27.

Notes to the financial statements

31 December 2015

35. Financial risk management (continued)

Capital risk management

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

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

36. Events after the reporting period

In January 2016, Premier Capital BV acquired McDonald's System of Romania Inc. ('McD Delaware'), a non-trading holding company registered in Delaware US, which in turn owns 100 percent shares in McDonald's Romania Srl ('McD Romania'). The deal was concluded for a total consideration of *Eur63 million*, which shareholding is held by the purposely set-up SPV company in Romania Premier Capital Romania Srl. McD Romania is headquartered in Bucharest, and operates 67 restaurants across the country. The deal has been financed in part via a *Eur40 million* bank finance and via a *Eur23 million* cash injection by the parent, Hili Ventures Limited. The accounting for this business combination is incomplete at the date of authorisation of these financial statements and accordingly certain disclosures in terms of IFRS 3 cannot be made at this stage.

Independent auditor's report

to the members of

Premier Capital p.l.c.

We have audited the accompanying financial statements of Premier Capital p.l.c. and its group set out on pages 11 to 73, which comprise the statements of financial position of the company and the group as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page 5, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/mt/about for a more detailed description of DTTL and its member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities: Deloitte Services Limited, Deloitte Technology Solutions Limited, Deloitte Consulting Limited, and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at www.deloitte.com/mt/about.

Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services in Malta under the Deloitte brand.

Independent auditor's report (continued)

to the members of

Premier Capital p.l.c.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Premier Capital p.l.c. and its group as at 31 December 2015 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).



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

Deloitte Audit Limited

Registered auditor

Mriehel, Malta

29 April 2016