McDonald's.
Estonia | Latvia | Lithuania | Malta

Company Announcement issued by Premier Capital p.l.c pursuant to Chapter 5 of the Listing Rules

Quote

The Company announces that, further to a meeting of the Board of Directors held on the 29th of April 2011, the Audited Consolidated Financial Statements for the year ending 31st December, have been approved.

A copy of the signed Financial Statements is available for viewing on the company's website www.premiercapital.com.mt

Unquote

Dr. Matthew Saliba LL.B, LL.D
Company Secretary

Date: 29th April, 2011

Premier Capital p.l.c.
Nineteen Twenty Three
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Marsa MRS 3000 Malta

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PREMIER CAPITAL P.L.C.

CONSOLIDATED AUDITED FINANCIAL STATEMENTS 2010

Premier Capital p.l.c.

Report and group financial statements

31 December 2010

Contents

Premier Capital p.l.c.

Directors, officer and other information

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

Premier Capital p.l.c.

Directors' report
Year ended 31 December 2010

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2010.

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

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 *Eur2,150,436* (2009 – *Eur2,798,156*) on revenue of *Eur51,695,336* (2009 – *Eur52,144,859*). After accounting for investment income and finance costs, the group registered a pre-tax profit of *Eur378,553* (2009 – *Eur1,713,220*).

The group's net assets for the year under review amounted to *Eur14,121,730* (2009 – *Eur16,623,639*).

During the year under review, the company registered an operating loss of *Eur31,355* (2009 (profit) – *Eur573,502*). After accounting for investment income and finance costs, the company registered a pre-tax profit of *Eur5,208,248* (2009 –*Eur225,103*). The net assets of the company at the end of the year under review amounted to *Eur15,472,379* (2009 – *Eur13,287,051*).

In April 2010 the company raised *Eur25,000,000* by issuing bonds to the public in order to expand its operations. In accordance with the prospectus, part of the proceeds raised have been utilised to part-refinance the group's existing bank debt and fund its investment strategy.

The group continued to expand its portfolio of restaurants and remodelling of existing restaurants. It has opened four new restaurants in 2010 (Estonia: 3; Latvia: 1), with an additional drive-thru which opened in early January 2011 in Lithuania. Furthermore, the group has secured title on three additional sites in Latvia which will be developed as three drive-thrus, and which are anticipated to open by summer 2011. As a result, the portfolio of restaurants for 2010 has been increased to thirty four. Taking into consideration the opening in Lithuania in early January and the three new sites in Latvia, the group will further increase the portfolio to thirty eight restaurants by 2011. During the financial year under review, the group has remodelled five restaurants (Estonia: 2; Latvia: 1; Lithuania: 1; Malta: 1). As a result, the group's has achieved the objectives of expansion and development for the financial year under review.

As new restaurants were opened during the year, these restaurants did not contribute a full operating year to the revenue of the group and thus affected operating performance. Furthermore, the Baltic economies underperformed during the first six months, and although they started recovering in the second half of the year, this was gradual. Due to the increase in capital expenditure the depreciation charge increased significantly over 2009. The group also suffered a significant increase in utility costs. The group's EBITDA dropped slightly from *Eur5,543,824* in 2009 to *Eur5,430,951* in 2010. An increase in finance costs was incurred as a result of the issuance in April 2010 of *Eur25,000,000* in bonds. Although, these factors affected negatively the financial results, the group performed strongly in other areas namely in the Maltese sector, and also through improvements in gross profit *(2010 - 65.94%, 2009 – 65.06%)* over 2009.

It is expected that in 2011 the performance will improve due to the continued recovery of the economies of the Baltic countries, strong performance of the Maltese operation and a full year of contribution from the revenue generated by the new restaurants.

Results and dividends
The results for the year ended 31 December 2010 are shown in the statements of comprehensive income on page ten. The group's loss for the year after taxation was *Eur651,772* (2009 (profit) – *Eur1,048,590*), whilst the company's profit for the year after taxation was *Eur3,185,328* (2009 – *Eur68,915*). An interim dividend of *Eur1,500,000* was declared and paid during 2010. The directors do not recommend the payment of a final dividend.

Directors
The directors who served during the period were:

Marin Hili (Chairman)
Carmelo Hili (sive) Melo (Chief Executive Officer)
Joseph Hili (sive) Beppe
Richard Abdilla Castillo
Charles J. Farrugia (appointed: 24 February 2010)
Jesmond Mizzi (appointed 24 February 2010)

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

Going Concern

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

Auditors

Following an internal restructuring of the Deloitte Malta firm, a resolution to appoint Deloitte Audit Limited, a company forming part of the same firm in Malta, will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 29 April 2011 by:

Marin Hili
Chairman

Melo Hili
Chief Executive Officer

Premier Capital p.l.c.

Statement of directors' responsibilities

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

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2010 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

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

Melo Hili
Chief Executive Officer

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 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 investors since they ensure that the Directors, Management and employees of the group adhere to internationally recognised high standards of Corporate Governance.

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

The Board of Directors

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

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

Executive Director
Mr. Carmelo sive Melo Hili (Chief Executive Officer)

Non-Executive Directors
Mr Marin Hili (Chairman)
Mr Joseph sive Beppe Hili
Mr Richard Abdilla Castillo
Mr Jesmond Mizzi (appointed 24 February 2010)
Mr Charles J. Farrugia (appointed 24 February 2010)

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

Audit Committee

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

The Board of Directors established the Audit Committee, which is currently composed of the following individuals:

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

Mr Jesmond Mizzi and Mr Charles Farrugia are both independent non-executive directors of the Company who the Board consider to be competent in accounting and/or auditing in terms of the Listing Rules.

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

The Audit Committee met four times during the year 2010. However, communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

Whilst the Board is ultimately responsible for the group's internal controls as well as their effectiveness, authority to operate the group is delegated to the Chief Executive Officer. The group's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, *inter alia*, reviews the effectiveness of the group's system of internal controls in the following manner:

1. Reviewing the group's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve group objectives;

Internal Control (continued)

3. Appointing and monitoring the Chief Executive Officer whose function is to manage the operations of the group; and
4. Identifying and ensuring that significant risks are managed satisfactorily.

Corporate Social Responsibility

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

The subsidiary companies in Malta, Latvia, Lithuania and Estonia organise an annual 'McHappy Day' whereby events are organised and funds collected which will then be passed on to a local charity.

The local subsidiary, Premier Restaurants Malta Limited assists annually in the Olympic day run with the aim of promoting physical activity, and during which a donation is presented to the Malta Olympic committee. In addition to the above, the subsidiary contributes additional funds for each meal sold and also provides constant support to child institutions and hospitals through the provision of free meals and toys.

In 2007, the group helped set up the Latvia chapter of RMHC (Ronald McDonald House Charity). The charity is represented in fifty one countries and is responsible for providing grants and services to children well-being programs around the world. In 2010 the Latvia chapter of RMHC provided a Ronald McDonald Care Mobile which tours the country providing medical services to children in poorly served areas.

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

Approved by the board of directors and signed on its behalf on 29 April 2011 by:

Marin Hili	*Melo Hili*
Chairman	*Chief Executive Officer*

Deloitte.

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

Premier Capital p.l.c.

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

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

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

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

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

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

29 April 2011

Premier Capital p.l.c.

Statements of comprehensive income

Year ended 31 December 2010

	Notes	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
Continuing operations					
Revenue		**51,695,336**	52,144,859	**-**	-
Cost of sales		**(17,609,386)**	(18,219,530)	**-**	-
Gross profit		**34,085,950**	33,925,329	**-**	-
Other operating income	6	**656,678**	384,969	**1,644,782**	1,700,241
Distribution expenses		**(27,637,256)**	(26,967,416)	**-**	-
Administrative expenses		**(5,053,936)**	(4,544,726)	**(1,676,137)**	(1,126,739)
Operating profit/(loss)		**2,150,436**	2,798,156	**(31,355)**	573,502
Investment income	7	**421,121**	53,605	**7,822,343**	708,712
Finance costs	8	**(2,193,004)**	(1,138,541)	**(2,582,740)**	(1,057,111)
Profit before tax	9	**378,553**	1,713,220	**5,208,248**	225,103
Income tax expense	13	**(1,030,325)**	(664,630)	**(2,022,920)**	(131,045)
(Loss)/profit for the year from continuing operations		**(651,772)**	1,048,590	**3,185,328**	94,058
Discontinued operations					
Loss for the year from discontinued operations, net of tax	12	**-**	-	**-**	(25,143)
(Loss)/profit for the year		**(651,772)**	1,048,590	**3,185,328**	68,915
Total comprehensive (expense)/income for the year		**(651,772)**	1,048,590	**3,185,328**	68,915
Attributable to:					
Owners of the company		**(1,117,936)**	876,926		
Non controlling interests who are also owners of the company		**173,354**	63,837		
Other non controlling interests		**292,810**	107,827		
		(651,772)	1,048,590		

Premier Capital p.l.c.

Statements of financial position

31 December 2010

	Notes	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill		**14,606,999**	14,606,999	**-**	-
Intangible assets	15	**10,900,646**	11,545,955	**10,367,819**	10,977,694
Property, plant and equipment	16	**27,417,690**	19,203,260	**92,927**	5,017
Investment in subsidiaries	18	**-**	-	**24,469,174**	21,719,172
Loans and receivables	18	**-**	-	**13,824,885**	3,509,644
Deferred tax assets	17	**1,843,892**	2,607,647	**1,787,789**	2,607,647
Prepayments	19	**458,910**	487,286	**-**	-
		65,228,136	48,451,147	**50,542,594**	38,819,174
Current assets					
Inventories	20	**1,167,192**	1,138,881	**-**	-
Loans and receivables	18	**1,282,468**	489,765	**2,214,883**	489,765
Trade and other receivables	21	**1,884,855**	1,731,165	**3,985,852**	1,207,739
Current tax asset		**1,909,782**	-	**1,824,819**	125,560
Financial asset at fair value through profit or loss	18	**989,997**	-	**989,997**	-
Cash and cash equivalents	28	**6,123,247**	975,603	**2,486,915**	20,953
		13,357,541	4,335,414	**11,502,466**	1,844,017
Total assets		**68,585,677**	52,786,561	**62,045,060**	40,663,191
Current liabilities					
Trade and other payables	22	**7,359,204**	6,187,167	**1,401,157**	193,077
Other financial liabilities	23	**1,086,686**	243,525	**327,806**	335,032
Bank overdrafts and loans	24	**1,867,159**	6,071,012	**1,820,725**	4,028,945
Current tax liabilities		**318,916**	61,555	**-**	-
		10,631,964	12,563,259	**3,549,688**	4,557,054
Non-current liabilities					
Bank loans	24	**15,027,288**	20,658,395	**14,545,454**	20,139,561
Debt Securities in issue	25	**24,464,357**	-	**24,464,357**	-
Other financial liabilities	23	**390,702**	260,107	**390,702**	260,107
Deferred tax liabilities	17	**3,949,636**	2,681,161	**3,622,480**	2,419,418
		43,831,983	23,599,663	**43,022,993**	22,819,086
Total liabilities		**54,463,947**	36,162,922	**46,572,681**	27,376,140
Net assets		**14,121,730**	16,623,639	**15,472,379**	13,287,051

Premier Capital p.l.c.

Statements of financial position (continued)
31 December 2010

	Notes	Group		Holding	
		2010	2009	**2010**	2009
		Eur	Eur	**Eur**	Eur
EQUITY					
Share capital	*26*	**13,574,700**	1,747,030	**13,574,700**	1,747,030
Exchange translation reserves		**8,306**	9,961	**-**	-
Other equity	*27*	**25,143**	12,169,011	**212,351**	12,044,023
Retained earnings/ (accumulated losses)		**(98,475)**	2,074,088	**1,685,328**	(504,002)
Equity attributable to owners of the company		**13,509,674**	16,000,090	**15,472,379**	13,287,051
Non controlling interest		**612,056**	623,549	**-**	-
Total equity		**14,121,730**	16,623,639	**15,472,379**	13,287,051

These financial statements were approved by the board of directors, authorised for issue on 29 April 2011 and signed on its behalf by:

Marin Hili
Chairman

Melo Hili
Chief Executive Officer

Premier Capital p.l.c.

Statements of changes in equity
Year ended 31 December 2010

Group

	Share capital Eur	Exchange translation reserves Eur	Other equity Eur	Retained earnings/ (accumulated losses) Eur	Total attributable to owners of the parent Total Eur	Non controlling interests Eur	Total Eur
Balance at 1 January 2009	1,747,030	11,344	64,611	748,706	2,571,691	-	2,571,691
Capital contribution (note 27)	-	-	10,044,023	-	10,044,023	-	10,044,023
Post- combination reserves arising on business combination	-	-	-	508,833	508,833	-	508,833
Share of net assets of subsidiary on business combination attributable to non controlling interests	-	-	-	-	-	514,617	514,617
Shareholders' loans held for capitalisation (note 27)	-	-	2,000,000	-	2,000,000	-	2,000,000
Exchange differences on translation of foreign operations	-	(1,383)	-	-	(1,383)	-	(1,383)
Transfer to legal reserves	-	-	60,377	(60,377)	-	-	-
Total comprehensive income for the year	-	-	-	876,926	876,926	171,664	1,048,590
Dividends (note 22)	-	-	-	-	-	(62,732)	(62,732)
Balance at 1 January 2010	**1,747,030**	**9,961**	**12,169,011**	**2,074,088**	**16,000,090**	**623,549**	**16,623,639**
Issue of share capital	500,000	-	-	-	500,000	-	500,000
Reduction in share capital	(716,353)	-	212,351	504,002	-	-	-
Capitalised loans (note 27)	2,000,000	-	(2,000,000)	-	-	-	-
Capitalised equity (note 27)	10,044,023	-	(10,044,023)	-	-	-	-
Dividends (note 14)	-	-	-	(1,500,000)	(1,500,000)	(848,482)	(2,348,482)
Exchange differences on translation of foreign operations	-	(1,655)	-	-	(1,655)	-	(1,655)
Transfer to legal reserves	-	-	58,629	(58,629)	-	-	-
Capital contribution made by parent attributable to non controlling interests (note 27)	-	-	(370,825)	-	(370,825)	370,825	-
Total comprehensive (expense)/income for the year	-	-	-	(1,117,936)	(1,117,936)	466,164	(651,772)
Balance at 31 December 2010	**13,574,700**	**8,306**	**25,143**	**(98,475)**	**13,509,674**	**612,056**	**14,121,730**

Premier Capital p.l.c.

Statements of changes in equity (continued)
Year ended 31 December 2010

Holding company

	Share capital Eur	Retained earnings/ accumulated losses Eur	Other equity Eur	Total Eur
Balance at 1 January 2009	1,747,030	(572,917)	-	1,174,113
Capital contribution (note 27)	-	-	10,044,023	10,044,023
Shareholders' loans held for capitalisation (note 27)	-	-	2,000,000	2,000,000
Total comprehensive income for the year	-	68,915	-	68,915
Balance at 1 January 2010	**1,747,030**	**(504,002)**	**12,044,023**	**13,287,051**
Issue of share capital	500,000	-	-	500,000
Reduction in share capital	(716,353)	504,002	212,351	-
Capitalised loans (note 27)	2,000,000	-	(2,000,000)	-
Dividends (note 14)	-	(1,500,000)	-	(1,500,000)
Capitalised equity (note 27)	10,044,023	-	(10,044,023)	-
Total comprehensive income for the year	-	3,185,328	-	3,185,328
Balance at 31 December 2010	**13,574,700**	**1,685,328**	**212,351**	**15,472,379**

Premier Capital p.l.c.

Statements of cash flows
Year ended 31 December 2010

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Cash flows from operating activities				
Profit before tax				
from continuing operations	**378,553**	1,713,220	**5,208,248**	225,103
Profit/(loss) before tax				
from discontinued operations	**-**	-	**-**	(60,173)
Adjustments for:				
Depreciation and amortisation	**3,280,515**	2,745,668	**626,780**	613,477
Loss on disposal of property,				
plant and equipment	**12,369**	33,607	**-**	-
Interest payable	**1,768,469**	1,138,541	**2,158,205**	1,057,111
Interest receivable	**(406,844)**	(53,605)	**(694,039)**	(189,810)
Amortisation of bond issue expenses	**43,431**	-	**43,431**	-
Revaluation of interest rate swap	**315,764**	-	**315,764**	-
Inventory write-downs	**-**	86,503	**-**	-
Investment income	**-**	-	**(7,114,027)**	(518,902)
Increase in fair value of investments	**(14,277)**		**(14,277)**	-
Operating profit before working capital movement	**5,377,980**	5,663,934	**530,085**	1,126,806
Movement in inventories	**(28,311)**	(71,012)	**-**	448,795
Movement in trade and other receivables	**(81,708)**	(279,376)	**948,362**	(337,963)
Movement in trade and other payables	**(102,965)**	526,790	**(66,922)**	(735,093)
Cash flows from operations	**5,164,996**	5,840,336	**1,411,525**	502,545
Interest paid	**(903,467)**	(1,138,541)	**(883,203)**	(1,057,111)
Income tax paid	**(618,925)**	(624,579)	**-**	(125,600)
Net cash flows from operating activities	**3,642,604**	4,077,216	**528,322**	(680,166)

Premier Capital p.l.c.

Statements of cash flows (continued)

Year ended 31 December 2010

	Group		Holding	
	2010	2009	2010	2009
Cash flows from investing activities				
Purchase of property, plant and equipment	(10,587,807)	(5,431,934)	(104,815)	(5,104)
Proceeds from sale of property, plant and equipment	138,192	57,217	-	155,837
Purchase of intangible assets	(2,389)	(62,858)	-	-
Purchase of investment in subsidiary	-	-	(1,000,002)	-
Capital contribution to subsidiary	-	-	(1,750,000)	-
Purchase of financial assets at fair value through profit or loss	(975,720)	-	(975,720)	-
Repayments of loans and receivables	-	-	-	940,538
Payments of loans and receivables	(792,703)	(2,801)	(12,040,359)	(2,801)
Interest received	330,468	53,605	123,332	189,810
Dividends Received	-	-	2,259,000	518,902
Cash and cash equivalents on business combination	-	(1,219,033)	-	-
Net cash flows from investing activities	(11,889,959)	(6,605,804)	(13,488,564)	1,797,182
Cash flows from financing activities				
Bonds issued	24,420,926	-	24,420,926	-
Repayment of bank borrowings	(6,859,900)	(1,245,403)	(6,823,272)	(1,198,216)
Repayments to related parties	(190,490)	(215,149)	(192,395)	(1,191,637)
Issue of share capital	500,000	-	500,000	-
Dividends Paid	(1,500,000)	-	(1,500,000)	-
Net cash from financing activities	16,370,536	(1,460,552)	16,405,259	(2,389,853)
Net movement in cash and cash equivalents	8,123,181	(3,989,140)	3,445,017	(1,272,837)
Cash and cash equivalents at the beginning of the year	(2,005,920)	1,984,603	(960,645)	312,192
Effect of foreign exchange changes on cash and cash equivalents	(477)	(1,383)	-	-
Cash and cash equivalents at the end of the year (note 28)	6,116,784	(2,005,920)	2,484,372	(960,645)

1. Basis of preparation

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

2. Significant accounting policies

Basis of consolidation

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

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under International Financial Reporting Standard 3, *Business Combinations* are recognised at their fair values at the acquisition date.

2. Significant accounting policies (continued)

Business combinations (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investment in subsidiaries

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

Investment in subsidiaries in the company's financial statements are stated at cost less any accumulated impairment losses. Income from the investments is recognised only to the extent of distributions received by the company from post-acquisition profits. Dividends from the investments are recognised in profit or loss.

Interests in jointly controlled entities

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

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

2. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

Properties in the course of construction

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

2. Significant accounting policies (continued)

Depreciation

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

Buildings	-	2.5% - 5% per annum
Improvements to premises	-	15% per annum
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.

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.

2. Significant accounting policies (continued)

Intangible assets (continued)

(i) Support services licence

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

(ii) Computer software

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

(iii) Acquired rights

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

(iii) 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, being twenty years expiring on 18 December 2027.

2. Significant accounting policies (continued)

Other financial instruments

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

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

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

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

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

(i) Trade and other receivables

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

(ii) Investments

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

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

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Investments (continued)

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

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

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

(iii) Bank borrowings

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

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

(iv) Other borrowings

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

(v) Trade and other payables

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

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

Other financial instruments (continued)

(vi) Shares issued by the company

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

(vii) Derivative financial instruments

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

Inventories

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

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

Provisions

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

2. Significant accounting policies (continued)

Impairment

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

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

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

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

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

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

2. Significant accounting policies (continued)

Impairment (continued)

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 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.

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.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss.

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

2. Significant accounting policies (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). 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 group's interest in the fair value of the acquiree's identifiable net assets 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 equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery.

2. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Interest income

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

(iii) Other operating income and commissions

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

(iv) Dividend income

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

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

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

Leases

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

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

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

2. Significant accounting policies (continued)

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the 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 are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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.

2. Significant accounting policies (continued)

Taxation (continued)

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

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 group are presented in its functional currency, the Euro, being the currency of the primary economic environment in which the group operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Foreign exchange gains and losses are included within operating profit, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

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

Currency translation (continued)

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

Cash and cash equivalents

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

Dividends

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

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

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.

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

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 had been allocated to the Malta operations. The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

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

- forecasted projected cash flows up to 2020 and projection of terminal value using the perpetuity method;
- growth rate of 5%; and
- use of 20% (pre-tax) to discount the projected cash flows to net present values.

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

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

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

IAS 24 (revised in2009) – Related Party Disclosures

The revised IAS24 supersedes IAS24 – Related Party Disclosures issued in 2003 and is mandatory for annual periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The group will apply the revised standard from 1 January 2011. The group is assessing the potential impact, if any, of the revised standard on the related party disclosures.

IFRS 9 (as amended in 2010) – Financial Instruments

IFRS 9 – Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and the accounting for financial liabilities.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. However, this standard has not yet been endorsed by the EU. The group is in the process of assessing the impact of the new standard its financial position and performance.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 34 – Interim Financial Reporting

The amendments to IAS 1 and IAS 34 are part of the May 2010 Improvements to IFRSs 2010. The amendments to IAS 1 clarify that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. The amendments to IAS 34 emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report, and clarifies how to apply this principle in respect of financial statements and their fair values.

The amendments to IAS 1 and IAS 34 are effective for annual periods beginning on or after 1 January 2011 with earlier application permitted. The group does not currently expect these amendments to have a significant impact on its annual financial statements or the interim financial reports to be issues in the period of initial application.

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

5. Segment information

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

5. Segment information (continued)

This year the group adopted IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting. The standard is applied retrospectively. The accounting policy for identifying segments is now based on internal management reporting information that is regularly review by the chief operating decision maker. In contrast, IAS 14 required the group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments, which are based on geographical location and in accordance with the licence agreement.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. The group's reportable segments under IFRS 8 are direct sales attributable to each country where it operates as a McDonalds development licencee.

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

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

Profit or loss

	2010	2009
	Eur	Eur
Total profit for reportable segments	**4,031,307**	2,313,439
Elimination of intra group transactions	**(8,850,174)**	(1,258,236)
Unallocated amounts:		
Dividend income	**7,114,027**	518,902
Other unallocated amounts	**(1,916,609)**	139,115
Consolidated profit before tax	**378,551**	1,713,220

5. Segment information (continued)

Assets

	2010	2009
	Eur	Eur
Total assets for reportable segments	**37,796,345**	29,581,078
Elimination of intra-group receivables	**(11,646,623)**	(8,594,336)
Unallocated amounts:		
Intangible assets	**10,367,819**	10,977,694
Loans and receivables	**16,039,768**	3,999,409
Goodwill	**14,606,999**	14,606,999
Other unallocated amounts	**1,421,369**	2,215,717
Consolidated total assets	**68,585,677**	52,786,561

Liabilities

	2010	2009
	Eur	Eur
Total liabilities for reportable segments	**23,632,830**	13,789,976
Elimination of intra-group liabilities	**(19,377,433)**	(5,624,083)
Unallocated amounts:		
Bank loans	**16,894,447**	26,845,562
Debt securities in issue	**24,464,357**	-
Other unallocated amounts	**8,849,746**	1,151,467
Consolidated total liabilities	**54,463,947**	36,162,922

5. Segment Information (continued)

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

	Estonia 2009 Eur	Latvia 2009 Eur	Lithuania 2009 Eur	Malta 2009 Eur	Total 2009 Eur	Unallocated 2009 Eur	Eliminations and adjustments 2009 Eur	Consolidated 2009 Eur
Continuing operations								
Revenue	9,846,309	13,213,309	12,452,944	16,632,297	52,144,859	-	-	52,144,859
(Loss)/profit before tax	(87,244)	720,069	368,371	1,312,243	2,313,439	658,017	(1,258,236)	1,713,220
Depreciation and amortisation	315,492	376,490	319,428	1,073,623	2,085,033	660,635	-	2,745,668
Segment assets	3,579,073	11,049,131	6,849,304	8,103,570	29,581,078	31,799,819	(8,594,336)	52,786,561
Capital expenditure	795,237	1,112,885	2,209,163	1,485,580	5,602,865	2,154	(173,085)	5,431,934
Segment liabilities	672,535	6,215,652	1,741,462	5,160,327	13,789,976	27,997,029	(5,624,083)	36,162,922
Income Tax expense	-	85,431	48,237	560,532	694,200	96,015	(125,585)	664,630

5. Segment Information (continued)

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

6. Other operating income

	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
Consultancy fees	11,267	-	443,267	361,476
Support services	-	-	1,201,515	1,171,128
Reversal of provision for cash advances	600,000	187,359	-	-
Other income	44,411	197,610	-	167,637
	655,678	384,969	1,644,782	1,700,241

7. Investment income

	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
Interest income on bank deposits	71,644	49,851	14,278	108
Interest income on subsidiary loans	-	-	494,331	189,702
Interest income on related company loans	76,377	3,754	76,377	-
Interest income on financial asset at fair value through profit or loss	258,823	-	109,053	-
Increase in fair value on investments	14,277	-	14,277	-
Dividends from investments in subsidiaries	-	-	7,114,027	516,902
	421,121	53,605	7,822,343	708,712

8. Finance costs

	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
Interest on bank overdraft and loans	569,506	1,125,412	549,242	1,006,536
Interest on bonds	865,002	-	1,275,002	-
Amortisation of bond issue expenses	43,431		43,431	
Interest on amounts payable to related parties	13,141	13,129	13,141	50,575
Loss for the year and interest cost on derivative financial instrument	636,584	-	636,584	-
Other finance costs	65,340	-	65,340	-
	2,193,004	1,138,541	2,582,740	1,057,111

Premier Capital p.l.c.

Notes to the financial statements
31 December 2010

9. Profit before tax

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
This is stated after charging/ (crediting):				
Depreciation of property, plant and equipment and amortisation of intangible assets	**3,280,615**	2,745,668	**626,780**	613,476
Net exchange differences	**24,902**	10,544	**-**	-

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

Group

	2010	2009
	Eur	Eur
Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidation	**34,000**	45,000
Total remuneration payable to other auditors in respect of the undertakings included in the consolidation	**50,760**	42,962
Total fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services	**64,550**	8,810
	149,310	96,772

9. Profit before tax (continued)

Holding company

	2010 Eur	2009 Eur
Total remuneration payable to the company's auditors for the audit of the company's financial statements	**5,000**	5,000
Total fees payable to the company's auditors for non-audit services other than other assurance services and tax advisory services	**64,550**	8,000
	69,550	13,000

10. Key management personnel compensation

	Group		Holding	
	2010 **Eur**	2009 Eur	**2010** Eur	2009 Eur
Directors' compensation:				
Short term benefits: Salaries and social security contribution	**118,513**	109,265	**22,000**	14,740

11. Staff costs and employee information

	Group		Holding	
	2010 **Eur**	2009 Eur	**2010** Eur	2009 Eur
Staff costs:				
Wages and salaries	**11,915,362**	11,845,172	**581,611**	282,971
Social security costs	**2,573,166**	2,644,449	**11,288**	8,160
	14,488,528	14,489,621	**592,899**	291,131

11. Staff costs and employee information (continued)

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

	Group		Holding	
	2010	2009	**2010**	2009
	Number	Number	**Number**	Number
Operations	**1,675**	1,758	-	-
Administration	**113**	111	9	7
	1,788	1,869	9	7

12. Discontinued operations

With effect from 1 February 2009 the company's distribution division for the distribution of McDonald's products in Malta was transferred to its subsidiary, Premier Restaurants Malta Limited.

The results of the discontinued operations for the period from 1 January 2009 to 31 January 2009 included in the statement of comprehensive income are set out below.

Holding company

	2010	2009
	Eur	Eur
Profit from discontinued operations		
Revenue	-	376,005
Cost of sales	-	(341,892)
Gross profit	-	34,113
Other expenses	-	(94,286)
Loss before tax	-	(60,173)
Income tax expense	-	35,030
Loss for the year	-	(25,143)
Cash flows from discontinued operations		
Net cash flows from operating activities	-	97,536
Net cash flows from investing activities	-	155,837
Net cash inflows	-	253,373

12. Discontinued operations (continued)

The net assets of the company's distribution division at the date of transfer on 31 January 2009 were as follows:

	31.01.2009
	Eur
Property, plant and equipment	155,837
Inventories	351,259
	507,096

13. Income tax expense

	Group		Holding	
	2010	2009	2010	2009
	Eur	Eur	Eur	Eur
Current tax (credit)/expense	(1,001,905)	647,185	-	40
Deferred tax expense	2,032,230	17,445	2,022,920	95,975
	1,030,325	664,630	2,022,920	96,015
Attributable to:				
Continuing operations	1,030,325	664,630	2,022,920	131,045
Discontinued operations	-	-	-	(35,030)
	1,030,325	664,630	2,022,920	96,015

13. **Income tax expense (continued)**

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 2010 and 2009 reconciliations is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in that jurisdiction.

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Profit for the year before tax from continuing operations	**378,553**	1,713,220	**5,208,248**	225,103
Loss for the year before tax from discontinued operations	**-**	-	**-**	(60,173)
Total profit for the year before tax	**378,553**	1,713,220	**5,208,248**	164,930
Tax at the applicable rate of 35%	**132,494**	599,627	**1,822,887**	57,726
Tax effect of:				
Depreciation charges not deductible by way of capital allowances in determining taxable income	**151,696**	145,153	**-**	-
Disallowable expenses	**19,332**	73,101	**115,283**	18,057
Malta tax on foreign dividend	**790,650**	56,000	**-**	-
Permanent differences on sale of fixed assets	**-**	21,971	**-**	20,285
Decrease in provision for cash advances	**(210,000)**	(65,576)	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	**19,479**	(108,060)	**-**	(53)
Profits not chargeable to tax and tax exemptions	**(1,159)**	(50,236)	**-**	-
Change in deferred tax valuation allowance	**(81)**	(7,350)	**-**	-
Deferred tax not accounted for	**47,499**	-	**-**	-
Gain on disposal of investments	**(25,767)**	-	**(25,767)**	-
Loss on swap	**110,517**	-	**110,517**	-
Other permanent differences	**(4,335)**	-	**-**	-
Income tax expense for the year	**1,030,325**	664,630	**2,022,920**	96,015

14. Dividends

In respect of the current year, a net dividend of Eur1,500,000 (Eur11.05 per ordinary share) was declared and paid in 2010. The directors do not recommend the payment of a final dividend.

15. Intangible assets

Group

	Support services licence Eur	Computer software Eur	Acquired rights Eur	Franchisee Fee Eur	Total Eur
Cost					
At 01.01.2009	12,366,964	25,826	379,124	-	12,771,914
Increase due to business combination	-	-	-	300,461	300,461
Additions	-	232	62,626	-	62,858
Disposals	-	(190)	-	-	(190)
Difference on exchange	-	(25)	112	(6)	81
At 01.01.2010	12,366,964	25,843	441,862	300,455	13,135,124
Additions	-	2,389	-	-	2,389
Disposals	-	(1,902)	-	-	(1,902)
Difference on exchange	-	77	183	-	260
At 31.12.2010	12,366,964	26,407	442,045	300,455	13,135,871
Amortisation					
At 01.01.2009	618,348	24,821	120,535	-	763,704
Increase due to business combination	-	-	-	179,950	179,950
Provision for the year	618,348	648	11,710	15,021	645,727
Disposals	-	(189)	-	-	(189)
Difference on exchange	-	(23)	-	-	(23)
At 01.01.2010	1,236,696	25,257	132,245	194,971	1,589,169
Provision for the year	618,346	962	13,513	15,005	647,826
Disposals	-	(1,894)	-	-	(1,894)
Difference on exchange	-	73	52	-	125
At 31.12.2010	1,855,042	24,398	145,810	209,976	2,235,226
Carrying amount					
At 31.12.2009	11,130,268	586	309,617	105,484	11,545,955
At 31.12.2010	**10,511,922**	**2,009**	**296,235**	**90,479**	**10,900,645**

15. Intangible assets (continued)

Holding company

	Support services licence Eur
Cost	
At 01.01.2009	12,197,438
Additions	-
At 01.01.2010	12,197,438
Additions	-
At 31.12.2010	12,197,438
Amortisation	
At 01.01.2009	609,872
Provision for the year	609,872
At 01.01.2010	1,219,744
Provision for the year	609,875
At 31.12.2010	1,829,619
Carrying amount	
At 31.12.2009	10,977,694
At 31.12.2010	**10,367,819**

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

16. Property, plant and equipment

Group

	Land and buildings Eur	Improvements to premises Eur	Motor vehicles Eur	Plant and equipment Eur	Other equipment Eur	Total Eur
Cost						
At 01.01.2009	13,468,928	76,848	191,616	6,273,980	1,371,046	21,382,418
Increase due to business combination	-	6,389,841	76,286	6,581,301	-	13,047,428
Additions	1,284,542	289,681	19,756	3,563,727	274,228	5,431,934
Disposals	-	(8,537)	(8,316)	(654,699)	(65,084)	(736,636)
Net exchange difference	(11,692)	(23)	(24)	402	(3,006)	(14,343)
At 01.01.2010	14,741,778	6,747,810	279,318	15,764,711	1,577,184	39,110,801
Additions	6,905,466	55,309	40,418	3,935,893	226,300	11,163,386
Disposals	(2,405)	(198,957)		(973,317)	(23,908)	(1,198,587)
Net exchange difference	56,787	29	20	20,921	13,802	91,559
At 31.12.2010	21,701,626	6,604,191	319,756	18,748,208	1,793,378	49,167,159
Accumulated depreciation						
At 01.01.2009	5,246,188	41,172	54,177	4,722,423	580,993	10,644,953
Increase due to business combination	-	3,542,992	45,690	4,234,120	-	7,822,802
Provision for the year	511,448	401,600	28,809	1,008,330	149,754	2,099,941
Released on disposal	-	(3,721)	(8,316)	(603,854)	(35,026)	(650,917)
Difference on exchange	(4,508)	-	13	(3,680)	(1,063)	(9,238)
At 01.01.2010	5,753,128	3,982,043	120,373	9,357,339	694,658	19,907,541
Provision for the year	627,490	412,646	41,939	1,386,627	163,987	2,632,689
Released on disposal	(1,191)	(7,057)	-	(795,512)	(23,753)	(827,513)
Difference on exchange	20,478	15	10	10,971	5,278	36,752
At 31.12.2010	6,399,905	4,387,647	162,322	9,959,425	840,170	21,749,469
Carrying amount						
At 31.12.2009	8,988,650	2,765,767	158,945	6,407,372	882,526	19,203,260
At 31.12.2010	**15,301,721**	**2,216,544**	**157,434**	**8,788,783**	**953,208**	**27,417,690**

Interest capitalized by the group during 2010 amounted to *Eur410,000 (2009 – Eur Nil).*

16. Property, plant and equipment (continued)

The group's land and buildings with a carrying amount of *Eur738,981* (2009 – *Eur760,857*) have been pledged to secure bank borrowings of a subsidiary (see note 24).

Holding

	Improvements to premises Eur	Motor Vehicles Eur	Plant and equipment Eur	Furniture, fixtures and other equipment Eur	Total Eur
Cost					
At 01.01.2009	20,558	144,291	29,303	25,609	219,761
Additions	-	-	-	5,104	5,104
Disposals	(20,558)	(144,291)	(29,303)	(24,627)	(218,779)
At 01.01.2010	-	-	-	6,086	6,086
Additions	-	-	-	104,815	104,815
At 31.12.2010	-	-	-	110,901	110,901
Accumulated depreciation					
At 01.01.2009	6,398	33,387	3,839	16,783	60,407
Provision for the year	-	-	-	3,604	3,604
Disposals	(6,398)	(33,387)	(3,839)	(19,318)	(62,942)
At 01.01.2010	-	-	-	1,069	1,069
Provision for the year	-	-	-	16,905	16,905
At 31.12.2010	-	-	-	17,974	17,974
Carrying amount					
At 31.12.2009	-	-	-	5,017	5,017
At 31.12.2010	-	-	-	**92,927**	**92,927**

17. Deferred taxation

Group

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2009			
Arising on:			
Unused tax losses	1,474,471	1,133,176	**2,607,647**
2010			
Arising on:			
Temporary differences on property, plant and equipment	-	56,103	**56,103**
Unused tax losses	2,607,647	(819,858)	**1,787,789**
	2,607,647	(763,755)	**1,843,892**
Deferred tax liabilities			
2009			
Arising on:			
Temporary differences on property, plant and equipment	223,947	43,517	**267,464**
Temporary differences on intangible assets	1,190,267	1,223,430	**2,413,697**
	1,414,214	1,266,947	**2,681,161**
2010			
Arising on:			
Temporary differences on intangible assets	2,413,697	1,208,782	**3,622,479**
Temporary differences on property, plant and equipment	267,464	59,693	**327,157**
	2,681,161	1,268,475	**3,949,636**

17. Deferred taxation (continued)

Holding

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
Deferred tax assets			
2009			
Arising on:			
Unused tax losses	1,474,471	1,133,176	**2,607,647**
2010			
Arising on:			
Unused tax losses	2,607,647	(819,858)	**1,787,789**
Deferred tax liabilities			
2009			
Arising on:			
Temporary differences on intangible assets	1,190,267	1,229,151	**2,419,418**
2010			
Arising on:			
Temporary differences on intangible assets	2,419,418	1,203,062	**3,622,480**

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

18. Financial assets

(a) Investments in subsidiaries

	Holding Investments in subsidiaries Eur
Cost	
At 01.01.2009	5,829,155
Reclassification from available-for-sale investment	5,619,805
Capital contribution by shareholders (note 27)	10,044,023
Additions	226,189
At 31.12.2009	21,719,172
Capital contribution in cash	1,750,000
Additions	1,000,002
At 31.12.2010	**24,469,174**

18. Financial assets (continued)

Details of the company's subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2010 %	Proportion of ownership interest 2009 %	Holding	Proportion of voting power held 2010 %	Proportion of voting power held 2009 %	Principal activity
SIA Premier Restaurants Latvia	Latvia	100	100	Direct	100	100	Operates McDonald's restaurants in Latvia
Premier Estates Ltd	Latvia	100	100	Direct	100	100	Development and leasing of property
AS Premier Restaurants Eesti	Estonia	100	100	Indirect	100	100	Operates McDonald's restaurants in Estonia
Premier Estates Eesti OU	Estonia	100	-	Indirect	100	-	Development and leasing of property
Premier Restaurants UAB	Lithuania	100	100	Indirect	100	100	Operates McDonald's restaurants in Lithuania
Premier Estates Lietuva UAB	Lithuania	100	-	Direct	100	-	Development and leasing of property
Premier Restaurants Malta Limited	Malta	78.81	78.81	Direct	86.69	86.69	Operates McDonald's restaurants in Malta
Premier Arcades Limited	Malta	78.81	-	Indirect	86.69	-	Operates McDonald's restaurants in Malta
Premier Assets (Malta) Limited	Malta	78.81	-	Indirect	86.69	-	Development and leasing of property

18. Financial assets (continued)

(b) Joint ventures

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

	2010	2009
	Eur	Eur
Current assets	**34,991**	26,559
Non-current assets	**411,787**	496,827
Current liabilities	**442,091**	518,948
Non-current liabilities	**4,104**	3,855
Income	**1,325,263**	1,275,233
Expenses	**1,221,829**	1,183,638

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

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Fair Value				
Financial assets at fair value through profit or loss designated as at fair value through profit or loss upon initial recognition and classified with current assets - debt instruments listed locally	**989,997**	-	**989,997**	-

18. Financial assets (continued)

(d) Loans and receivables

	Group		Holding		
	Loans to other related parties Eur	Total Eur	Loans to subsidiaries Eur	Loans to other related parties Eur	Total Eur
Amortised cost					
At 01.01.2009	1,427,502	**1,427,502**	3,509,644	1,427,502	**4,937,146**
Increase	2,801	**2,801**	-	2,801	**2,801**
Repayments	(940,538)	**(940,538)**	-	(940,538)	**(940,538)**
At 01.01.2010	489,765	**489,765**	3,509,644	489,765	**3,999,409**
Increase	792,703	**792,703**	11,247,656	792,703	**12,040,359**
At 31.12.2010	1,282,468	**1,282,468**	14,757,300	1,282,468	**16,039,768**
Carrying amount					
At 31.12.2009	489,765	**489,765**	3,509,644	489,765	**3,999,409**
Less: Amount expected to be settled within 12 months (shown under current assets)	(489,765)	**(489,765)**	-	(489,765)	**(489,765)**
Amount expected to be settled after 12 months	-	**-**	3,509,644	-	**3,509,644**
At 31.12.2010	**1,282,468**	**1,282,468**	**14,757,300**	**1,282,468**	**16,039,768**
Less: Amount expected to be settled within 12 months (shown under current assets)	**(1,282,468)**	**(1,282,468)**	**(932,415)**	**(1,282,468)**	**(2,214,883)**
Amount expected to be settled after 12 months	**-**	**-**	**13,824,885**	**-**	**13,824,885**

18. Financial assets (continued)

(d) Loans and receivables (continued)

The loans to subsidiaries amounting to *Eur14,574,885* are unsecured and bear interest at 6.8%. Full repayment of the loans is receivable by 2018. The remaining loans are unsecured, interest-free and repayable on demand.

The loans to related parties amounting to *Eur1,282,468* (2009 – *Eur486,965*) are unsecured, interest-free, and repayable on demand.

19. Long term prepayments

This relates mainly to prepaid rental made by a subsidiary in 2008 amounting to in total *Eur501,824* relating to a particular restaurant up to August 2026. As at the end of the reporting period, prepaid rental relating to the next twelve months amounting to *Eur28,405 (2009 – Eur28,417)* have been recorded as prepayment under current assets with the remaining prepaid rental relating to after twelve months amounting to *Eur416,609* (2009 - *Eur445,003*) recorded as long term prepayments under non-current assets.

20. Inventories

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Raw materials and consumables	**1,167,192**	1,138,881	**-**	-

21. Trade and other receivables

	Group		Holding	
	2010	2009	2010	2009
	Eur	Eur	Eur	Eur
Trade receivables	45,376	37,267	317	33,332
Other receivables	1,215,345	738,147	125,538	146,346
Amounts due from related companies	338,652	536,317	26,408	140,772
Amounts due from subsidiaries	-	-	3,818,922	721,999
Prepayments and accrued income	285,282	419,434	14,667	165,290
	1,884,655	1,731,165	3,985,852	1,207,739

The amounts due from subsidiaries and related parties are unsecured, interest-free and are repayable on demand.

22. Trade and other payables

	Group		Holding	
	2010	2009	2010	2009
	Eur	Eur	Eur	Eur
Trade payables	2,919,104	2,838,245	33,878	110,088
Other payables	860,949	957,224	-	4,397
Social security liabilities	856,618	1,055,932	-	-
VAT and other liabilities	353,899	335,099	-	-
Accruals and deferred income	2,368,634	1,000,667	1,367,279	78,592
	7,359,204	6,187,167	1,401,157	193,077

23. Other financial liabilities

	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
Amounts due to related companies	313,228	440,900	313,228	397,266
Amounts due to group companies	-	-	89,516	197,873
Derivative financial liability held for trading	315,764	-	315,764	-
Dividends payable to non controlling interests	848,396	62,732	-	-
	1,477,388	503,632	718,508	595,139
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,086,686)	(243,525)	(327,806)	(335,032)
	390,702	260,107	390,702	260,107

Other financial liabilities are repayable as follows:

	Group 2010 Eur	Group 2009 Eur	Holding 2010 Eur	Holding 2009 Eur
On demand or within one year	1,086,686	243,525	327,806	335,032
In the second year	190,136	94,153	190,135	94,153
In the third year	163,569	98,223	163,569	98,223
In the fourth year	36,998	67,731	36,998	67,731
	1,477,388	503,632	718,508	595,139
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,086,686)	(243,525)	(327,806)	(335,032)
	390,702	260,107	390,702	260,107

23. Other financial liabilities (continued)

Included in the amount due to related parties is an outstanding amount of *Eur260,113* (2009 – *Eur350,340*) which bears interest at 4.25% per annum, *Eur169,880* (2009 – *Eur260,107*) of which is due for settlement after 12 months. The remaining balances have no fixed date for repayment and the group and the company has an unconditional right to defer settlement of these loans for at least 12 months after the end of the reporting period. The amounts due to related parties are unsecured and interest free.

Derivative financial instruments of *Eur315,764* comprise an interest rate swap whereby the company had entered into a contract to swap a floating rate for a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. An amount of *Eur94,942* is classified with current liabilities.

The notional principal amounts of the outstanding interest rate swaps, at the end of the reporting period amounted to *Eur20,000,000 (2009 – Eur20,000,000)*.

At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 2.45% (2009 – 2.45%). The floating rate is three-month EURIBOR. The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

24. Bank overdraft and loans

	Group		**Holding**	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Bank overdrafts	**6,463**	2,981,523	**2,543**	981,598
Bank loans	**16,887,984**	23,747,884	**16,363,636**	23,186,908
	16,894,447	26,729,407	**16,366,179**	24,168,506

Bank overdraft and loans are repayable as follows:

24. Bank overdraft and loans (continued)

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
On demand or within one year	**1,867,159**	6,071,012	**1,820,725**	4,028,945
In the second year	**2,424,000**	3,162,419	**2,424,000**	3,079,226
In the third year	**2,424,000**	3,195,930	**2,424,000**	3,112,737
In the fourth year	**2,424,000**	3,231,154	**2,424,000**	3,147,961
In the fifth year	**2,424,000**	3,246,639	**2,424,000**	3,163,446
After five years	**5,331,288**	7,822,253	**4,849,454**	7,636,191
	16,894,447	26,729,407	**16,366,179**	24,168,506
Less: amount due for settlement within 12 months (shown under current liabilities)	**(1,867,159)**	(6,071,012)	**(1,820,725)**	(4,028,945)
	15,027,288	20,658,395	**14,545,454**	20,139,561

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

The bank loan of *Eur16,363,636* (2009 – *Eur19,393,939*) bears interest at adjusted EURIBOR + 1.5% (2009 – 1.5%). The loan is secured by a pledge agreement between the bank and the company, together with pledges over the Baltic subsidiaries' shares and a pledge over the subsidiaries' immovable and movable property. During 2009 the company entered into an interest rate swap whereby the company pays a fixed rate of interest of 2.45% over the principal and receives a floating rate of EURIBOR +3 months.

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

24. Bank overdraft and loans (continued)

The bank overdraft facility of *Eur1,000,000* (2009 – *Eur2,500,000*) bears interest at 250 and 300 basis point over the bank's base rate, presently 2.5% (2009: 2.5%) per annum. This facility is secured by a first general hypothec over the assets of a subsidiary company, over those of related companies, as well as by guarantees provided by shareholders and related companies together with pledges on various insurance policies.

The bank loan of *Eur524,345 (2009 – Eur560,976)* bears interest at the rate of EURIBOR + fixed rate 0.9%. The loan is secured over land and buildings owned by a subsidiary (see note 15) and is also guaranteed by another group company.

25. Debt securities in issue

	2010	2009
	Eur	Eur
6.8% bonds redeemable 2017-2020	24,464,357	-

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

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bonds is net of direct issue costs of *Eur579,074* 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 *Eur26,062,500.*

26. Share capital

	2010	2010	2009
	Authorised	Issued and called up	Authorised, Issued and called up
	Eur	Eur	Eur
47,637 ordinary 'A' shares of Eur100 each, of which 45,249 have been issued and called up (2009 - 250,000 ordinary 'A' shares of Eur2.329373 each, all of which had been issued and called up)	4,763,700	4,524,900	582,344
47,637 ordinary 'B' shares of Eur100 each, of which 45,249 have been issued and called up (2009 - 250,000 ordinary 'B' shares of Eur2.329373 each, all of which had been issued and called up)	4,763,700	4,524,900	582,343
47,637 ordinary 'C' shares of Eur100 each, of which 45,249 have been issued and called up (2009 - 250,000 ordinary 'C' shares of Eur2.329373 each, all of which had been issued and called up)	4,763,700	4,524,900	582,343
	14,291,100	13,574,700	1,747,030

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

27. **Other equity**

Group

	Capital contribution Eur	Shareholders' loans for capitalisation Eur	Legal reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2009	-	-	64,611	-	64,611
Capital contribution	10,044,023	-	-	-	10,044,023
Shareholders' loans	-	2,000,000	-	-	2,000,000
Transfer from retained earnings to legal reserves	-	-	60,377	-	60,377
Balance at 1 January 2010	10,044,023	2,000,000	124,988	-	12,169,011
Capitalisation	(10,044,023)	(2,000,000)	-	-	(12,044,023)
Loss offset reserve	-	-	-	212,351	212,351
Capital contribution made by parent attributable to non controlling interest	-	-	-	(370,825)	(370,825)
Transfer from retained earnings to legal reserves	-	-	58,629	-	58,629
Balance at 31 December 2010	-	-	183,617	(158,474)	25,143

Holding

	Capital contribution Eur	Shareholders' loans for capitalisation Eur	Other Reserve Eur	Total Eur
Balance at 1 January 2009	-	-	-	-
Capital contribution	10,044,023	-	-	10,044,023
Shareholders' loans	-	2,000,000	-	2,000,000
Balance at 1 January 2010	10,044,023	2,000,000	-	12,044,023
Capitalisation	(10,044,023)	(2,000,000)	-	(12,044,023)
Loss offset reserve	-	-	212,351	212,351
Balance at 31 December 2010	-	-	212,351	212,351

The capital contribution of *Eur10,044,023* represented a contribution from shareholders of the parent as explained in note 30. This contribution was converted into share capital during 2010.

The shareholders' loans of *Eur2,000,000* were converted to share capital during 2010.

27. Other equity (continued)

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

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

28. Cash and cash equivalents

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

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Cash at bank and on hand	**6,123,247**	975,603	**2,486,915**	20,953
Bank overdrafts	**(6,463)**	(2,981,523)	**(2,543)**	(981,598)
	6,116,784	(2,005,920)	**2,484,372**	(960,645)

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2010 was 2% - 3% (2009 – 2% - 3%). The interest rate on bank overdrafts is disclosed in note 24.

29. Significant non-cash transactions

During the year the company increased its share capital by *Eur11,827,670*.

Part of the increase amounting to *Eur500,000* was paid in cash.

The remaining amount was satisfied by the capitalization of shareholders loans advanced in 2009 amounting to *Eur2,000,000*, and a capitalization of a capital contribution arising in 2009 amounting to *Eur10,044,023* (note 30).

30. Business combination achieved in stages

As at 31 December 2010 and 2009, the company owned the majority (78.81%) of the non-voting shares of Premier Restaurants Malta Limited. In addition at that date, the shareholders of the company (the "shareholders") were also shareholders of the majority (86.69%) of the voting shares of Premier Restaurants Malta Limited and constituted collectively ¾'s of its Board of Directors.

With effect from 1 January 2009 the company gained effective control over the voting rights attached to the voting shares in Premier Restaurants Malta Limited. Consequently, Premier Restaurants Malta Limited became a subsidiary of the company with effect from 1 January 2009.

In the separate financial statements of the company, the above gave rise to a capital contribution of *Eur10,044,023* with a corresponding increase in the cost of the investment in Premier Restaurants Malta Limited. In the consolidated financial statements, the increase in the cost of investment gave rise to the recognition of goodwill amounting to *Eur8,404,557*.

The above was accounted for using business combination achieved in stages.

The fair value of the net assets and the goodwill arising on 1 January 2009 may be analysed as follows:

	Eur
Intangible assets	94,971
Property, plant and equipment	4,117,527
Deferred tax assets	8,206
Inventories	240,368
Other receivables	763,917
Current tax asset	14,508
Cash and cash equivalents	156,900
Trade and other payables	(1,772,520)
Other financial liabilities	(866,791)
Bank overdraft	(1,117,620)
Net assets on business combination 01.01.2009	1,639,466
Goodwill arising on business combination on 01.01.2009	8,404,557
Capital contribution by shareholders	**10,044,023**

30. Business combination achieved in stages (continued)

The fair value of the net assets and the goodwill arising on the previously held equity interest are as follows:

Year previously held equity interest was acquired	Consideration paid Eur	Fair value of net assets on on business combination Eur	Goodwill arising Eur
2005	4,977,871	(794,000)	**5,771,871**
2007	641,934	211,363	**430,571**
	5,619,805	(582,637)	**6,202,442**

As a result, the group recognised total goodwill on consolidation amounting to *Eur14,606,999* as at 31 December 2009.

As a result of the above, during 2009 the group recognised additional profit for the year amounting to *Eur810,116*. Revenue for the year 2009 includes *Eur16,632,297* generated by Premier Restaurants Malta Limited and its jointly controlled entity, Arcades Limited.

31. Related party disclosures

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

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

Group

	2010			2009		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Other operating income: *Related party transactions with:*						
Other related parties	**11,267**	**655,678**	**2**	-	384,969	-
Administrative expenses: *Related party transactions with:*						
Other related parties	**107,187**	**5,053,936**	**2**	5,824	4,544,726	-
Finance costs: *Related party transactions with:*						
Other related parties	**13,141**	**2,193,004**	**1**	13,129	1,138,541	1

Premier Capital p.l.c.

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31. Related party disclosures (continued)

Holding

	2010			2009		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Revenue:						
Related party transactions with:						
Subsidiary	-	-	-	338,078	376,005	90
Related undertaking	-	-	-	37,927	376,005	10
Other operating income:						
Related party transactions with:						
Other related parties	11,267	656,678	2	-	394,969	-
Administrative expenses:						
Related party transactions with:						
Other related parties	107,187	1,676,137	6	5,824	1,221,025	-
Finance costs:						
Related party transactions with:						
Other related parties	13,141	2,562,740	1	50,575	1,057,111	5

Related party transactions in connection with investment income and key management personnel are disclosed in notes 7 and 10 respectively.

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

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

32. Operating leases

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Minimum lease payments under operating leases recognised as an expense for the year	**1,992,812**	1,506,293	**-**	-

The group entered into operating lease agreements for lease of premises and sub-lease agreements for the lease of land on which the restaurants in the Baltic's are situated. The group 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:

	2010	2009
	Eur	Eur
Within one year	**593,134**	429,433
Between two to five years	**2,414,533**	1,654,776
Over five years	**348,844**	746,642
	3,356,511	2,830,851

33. Commitments

(i) The subsidiaries operate under a franchise agreement ('the Agreement') dated 19 December 2007 entered into with McDonald's International Property Company ('the Franchisor'). The franchise agreement is for a period of 20 years which allows the respective company to use the McDonald's system in the restaurants. This franchise agreement stipulates certain financial and non-financial obligations, including but not necessarily limited to, maintaining certain financial ratios, performing marketing and other activities. The subsidiaries are obliged to pay a royalty fee based on their annual net sales of the respective company on an annual basis.

Upon the expiration of this Agreement, the Franchisor shall have the right to purchase all of the equity interest in the Franchisee's Mc Donald'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.

33. Commitments (continued)

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

	Group		Holding	
	2010	2009	**2010**	2009
	Eur	Eur	**Eur**	Eur
Capital expenditure contracted but not provided for	-	1,149,787	-	704,024
Capital expenditure authorised but not contracted for	10,599,432	-	-	-

34. Contingent liability

At year-end the company had bank guarantees of *Eur2,381,498* (2009 – *Eur2,381,498*) in favour of Premier Restaurants Malta Limited.

35. Fair value of financial assets and financial liabilities

At 31 December 2010 and 2009 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 unlisted investments that cannot be reliably measured and that are carried at cost, are not materially different from their carrying amounts.

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

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

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

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

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

	Fair value measurement at end of reporting period using:			
	Level 1	Level 2	Level 3	Total
	Eur	Eur	Eur	Eur
2010				
Financial assets at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss upon initial recognition				
- local listed equity instruments (note 18)	989,997	-	-	989,997
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
- derivative financial instruments (note 23)	-	315,764	-	315,764

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

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

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

36. 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.

36. Financial risk management (continued)

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

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

Credit risk

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

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

Currency risk

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

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

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

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

36. **Financial risk management (continued)**

Currency risk (continued)

The Estonian Kroon joined the Exchange Rate Mechanism (ERM II) on 28 June 2004, and observes a central rate of 15.6466 to the Euro. Estonia unilaterally maintains a 0% fluctuation band around the central rate. On 1 January 2011, Estonia joined the Euro zone.

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

Interest rate risk

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

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

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

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

Sensitivity analysis

For financial instruments issued, the group has used a sensitivity analysis technique that measures the change in the cash flows of the group's financial instruments at the reporting date for hypothetical changes in the relevant market risk variables. The sensitivity of profit or loss due to changes in the relevant risk variables are set out below. The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

36. Financial risk management (continued)

Interest rate risk (continued)

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

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

The sensitivity of the relevant risk variables is as follows:

	Profit and Loss Sensitivity	
	2010	2009
	Eur	Eur
Market interest rates - cash flow	+/- 2,622	+/- 21,770

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

Liquidity risk

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

The group is exposed to liquidity risk in relation to meeting the future obligations associated with its financial liabilities, which compromise principally trade and other payables, other financial liabilities and interest-bearing borrowings (refer to notes 22, 23, 24 and 25). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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

36. 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	2 years Eur	3 years Eur	4 years Eur	After 5 years Eur	Total Eur
2010						
Non-derivative financial liabilities						
Non-interest bearing	8,628,620	-	-	-	-	8,628,620
Variable interest	2,268,365	2,807,577	2,730,256	2,670,935	7,731,042	18,217,176
Fixed rate instruments	1,803,368	1,803,368	1,768,912	1,700,000	26,700,000	33,775,648
	12,700,353	4,610,945	4,506,168	4,370,935	34,431,042	60,621,443
2009						
Non-derivative financial liabilities						
Non-interest bearing	6,690,799	-	-	-	-	6,690,799
Variable rate instruments	7,057,849	4,157,952	4,007,233	3,783,577	12,554,258	31,560,869
Fixed rate instruments	103,368	103,368	103,368	68,912	-	379,016
	13,852,016	4,261,320	4,110,601	3,852,489	12,554,258	38,630,684

36. Financial risk management (continued)

Holding

	On demand or within 1 year Eur	2 years Eur	3 years Eur	4 years Eur	After 5 years Eur	Total Eur
2010						
Non-derivative financial liabilities						
Non-interest bearing	1,950,060	-	-	-	-	1,950,060
Variable rate instruments	2,268,365	2 807,577	2,739,256	2,670,935	7,731,142	18,217,275
Fixed rate instruments	1,803,368	1,803,368	1,768,912	1,700,000	26,700,000	33,775,648
	6,021,793	4,610,945	4,508,168	4,370,935	34,431,142	53,942,983
2009						
Non-derivative financial liabilities						
Non-interest bearing	788,216	-	-	-	-	788,216
Variable rate instruments	4,815,287	3,918,251	3,850,914	3,783,577	12,493,601	28,861,630
Fixed rate instruments	103,368	103,368	103,368	68,912	103,368	482,384
	5,706,871	4,021,619	3,954,282	3,852,489	12,596,969	30,132,230

Derivative financial instruments

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

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

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

36. Financial risk management (continued)

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.

The company's directors manage the capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company 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.

37. Comparative figures

Certain comparative figures have been reclassified in accordance with this year's presentation of the financial statements. These reclassifications were made in cost of sales, distribution expenses and administrative expenses due to some changes in classifications in 2010. *Eur833,728* has been reclassified from distribution expenses to cost of sales, whereas *Eur492,241* has been reclassified from distribution expenses to administrative expenses.

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Independent auditor's report
to the members of

Premier Capital p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Premier Capital p.l.c. and its group set out on pages ten to seventy-five, which comprise the statements of financial position of the company and the group as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Deloitte.

Independent auditor's report (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 the company and its group as at 31 December 2010 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the requirements of the Companies Act (Chap. 386).

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

29 April 2011