



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

**Premier Capital Plc  
Report and financial statements**

31 December 2020

## Contents

---

	<i>Page</i>
Directors, officer and other information	<b>1</b>
Directors' report	<b>2 - 10</b>
Statements of directors' responsibilities	<b>11</b>
Corporate governance statement	<b>12 - 16</b>
Statements of profit or loss and other comprehensive income	<b>17</b>
Statements of financial position	<b>18 - 19</b>
Statements of changes in equity	<b>20 - 21</b>
Statements of cash flows	<b>22</b>
Notes to the financial statements	<b>23 - 97</b>
Independent auditor's report	<b>98 - 103</b>

---

## Directors, officer and other information

---

<i>Directors:</i>	Carmelo (sive) Melo Hili Massimiliano Eugenio Lupica Karen Pace Victor Tedesco Valentin-Alexandru Truta Dorian Desira
<i>Secretary:</i>	Geoffrey Camilleri
<i>Registered office:</i>	Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	C 36522
<i>Auditor:</i>	Grant Thornton Triq l-Intornjatur, Zone 1 Central Business District Birkirkara CBD1050 Malta
<i>Principal bankers:</i>	HSBC Bank Malta p.l.c., HSBC Business Banking Centre, Mill Street, Qormi QRM 3101 Malta  BRD – Groupe Societe Generale S.A., 1-7 Ion Mihalache Boulevard, Sector 1, Bucharest 011171, Romania  Luminor Bank AS 12 Skanstes Street, Riga LV-1013 Republic of Latvia  EUROBANK S.A. 8 Othonos str, 105 57 Athens

## Directors' report

Year ended 31 December 2020

---

The directors present their report and the audited financial statements of the group and holding company for the year ended 31 December 2020.

### Principal activities

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

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

### Performance review

2020 was undoubtedly an unprecedented year. The business disruption caused by the pandemic adversely effected the performance of the group. The group registered a decrease in revenue from *Eur341,280,746* in 2019 to *Eur318,955,348* or a decrease of 6.5% over prior year. Despite a strategy to curtail capital commitments and preserve liquidity in view of the pandemic, the group still maintained a commitment towards its investment strategy and along the year increased its footprint by 3 restaurants and also invested towards rendering its 90% owned investment in Romania a wholly owned subsidiary in mid-2020.

During the year under review, the group registered an operating profit of *Eur25,979,044* decreasing from *Eur34,256,596* in 2019. After accounting for investment income and finance costs, the group registered a pre-tax profit of *Eur19,003,833* as opposed to *Eur28,002,888* in prior year.

The group's net assets as at 31 December 2020 amounted to *Eur53,003,419* (2019 – *Eur57,081,844*).

During the year under review, the holding company registered an operating loss of *Eur4,080,828* (2019 – *Eur4,781,040*). After accounting for investment income and finance costs, the holding company registered a pre-tax profit of *Eur14,737,872* (2019 – *Eur24,453,542*).

The net assets of the holding company at the end of the year under review amounted to *Eur43,899,557* (2019 – *Eur 38,379,806*).

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

#### *Financial Performance*

The group's current ratio (current assets divided by current liabilities), has increased from 94.8% at the end of 2019 to 95.0% at the end of 2020. The group uses this indicator as a measure of liquidity.

---

## Directors' report

Year ended 31 December 2020

---

### Performance review (continued)

#### *Financial Performance (continued)*

The group calculates the level of its free cash flow by reference to the net cash generated from operating activities less capital expenditure. The group's free cash flow at year end amounted to *Eur28,275,599* as opposed to a free cash flow of *Eur28,451,818* at the end of the preceding year. This indicator measures how well the group turns profit into cash through the management of working capital and a disciplined approach to capital expenditure.

The group measures its performance based on EBITDA. EBITDA is defined as the group profit before net investment income and finance costs, taxation, depreciation and amortisation. During the year under review, EBITDA decreased by 8.3% to *Eur51,536,922* from *Eur56,215,517*, whereas the group's EBITDA margin decreased from 16.5% to 16.2%.

During the year under review, the interest cover of the group decreased from 7.86 times to 6.69 times. The interest cover represents the EBITDA divided by the net interest costs.

The debt to equity ratio of the group is monitored on a continuous basis. This ratio increased to 1.82 times at the end of the year as opposed to 1.46 times in 2019. This indicator is computed by dividing the total interest-bearing debt excluding bank overdrafts by the total equity of the group.

The gearing ratio of the group increased to 64.7% at the end of the year as opposed to 60.4% in 2019.

#### *Non-financial Performance*

Customer satisfaction is monitored throughout the year via customer feedback portal that the group operates in all the markets, whereby results are available online and reviewed regularly by management at the market level.

The average number of employees decreased from 8,750 to 8,726 during the year. The group runs a number of employee surveys to monitor employee satisfaction and commitment. Having high quality teams in place is essential to attain the holding company's business objectives.

#### *Market Performance*

Overall group revenue decreased by 6.5% compared to 2019, with all markets within the group experiencing business disruption in view of Covid-19. The market reporting the highest impact was Malta, with an overall decrease of 15.7%. Romania and Greece both registered a decrease of 8% when compared to 2019 and Estonia 2.2%. Lithuania and Latvia registered an increase in turnover of 3.3% and 1% respectively.

## Directors' report

Year ended 31 December 2019

---

### Performance review (continued)

#### Review of the Business and Outlook

##### *Restaurants Portfolio*

During the year under review, the group continued to grow its portfolio, bringing up the total number of restaurants it operates to 159 by the end of the year (2019 – 156). Of these restaurants, 87 are operated in Romania, 39 in the Baltic States, 24 in Greece and 9 in Malta.

##### *Future Outlook*

Though the severity of the impact of the COVID-19 pandemic is expected to be lower in 2021 than what it was in 2020, the directors keep monitoring the situation and have now tried and tested back-up plans for immediate action to safeguard the interests of the group and its stakeholders

The directors consider the going concern assumption in the preparation of these financial statements as appropriate as at the date of authorisation and believes that no material uncertainty that may cast significant doubt about the company's and the group's ability to continue as a going concern exists as at that date.

#### Principal risks and uncertainties

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

##### *(a) Market and competition*

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

##### *(b) Legislative risks*

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

##### *(c) Talent and skills*

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

## Directors' report

Year ended 31 December 2020

---

### Principal risks and uncertainties (continued)

#### *(d) Economic and market environment*

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

#### *(e) Brand and reputation risk*

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

#### *(f) Technology and business interruption*

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

#### *(g) Supply chain*

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

#### *(h) Customer service*

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

## Directors' report

Year ended 31 December 2020

---

### Principal risks and uncertainties (continued)

#### *(i) Political risk*

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

#### *(j) Significant judgements and estimates*

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

#### *(k) Contingent liabilities*

Note 33 to the financial statements provides details in connection with the group's contingent liabilities.

### Financial risk management

Note 35 to the financial statements provides details in connection with the group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

### Non-Financial Statement

#### *Environmental matters*

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

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

In terms of energy efficiency, the group's strategy is to implement innovative solutions while driving improvements on a continuous basis. This involves implementing modern technology in most of the group's new and remodelled restaurants, with the installation of energy management systems and the use of energy efficient equipment and LED lighting.



## Directors' report

Year ended 31 December 2020

---

### Non-Financial Statement (continued)

#### *Environmental matters (continued)*

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

#### *Employee matters*

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

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

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

#### *Social Matters*

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

## Directors' report

Year ended 31 December 2020

---

### Non-Financial Statement (continued)

#### *Respect for human rights*

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

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

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

#### *Anti-corruption and bribery matters*

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

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

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

## Directors' report

Year ended 31 December 2020

---

### Business Model

The group operates the McDonald's brand, which is considered as the largest fast food chain in the world with over 39,000 restaurants in more than 119 countries. The business model, depicted in the "three-legged stool" of operators, suppliers and employees, is its foundations, and the balance of interest among the three groups is essential to the group's success. The strength of the alignment among the companies within the group, its suppliers, and employees has been key to the group's success. This business model enables the group to consistently deliver locally relevant restaurant experiences to customers and be an integral part of the communities it serves. In addition, it facilitates its ability to identify, implement and scale innovative ideas that meet customer's changing needs and preferences. The group adopts McDonald's operations principles, which are designed to assure consistency and high quality at every restaurant.

### Results and dividends

The results for the year ended 31 December 2020 are shown in the statements of comprehensive income on page 17. The group's profit for the year after taxation was *Eur17,657,988* (2019 – *Eur25,704,170*), whilst the holding company's profit for the year after taxation was *Eur14,905,094* (2019 – *Eur24,542,415*). During the year, the directors declared an interim dividend of *Eur9,360,000*. The directors do not recommend the payment of a final dividend.

### Events after the end of the reporting period

There were no relevant post balance sheet events to report.

### Likely future business developments

In the light of the macro-economic conditions the business community faced in 2020, the directors consider that the year-end financial position was satisfactory and that the group exhibited a good level of resilience in a period of unprecedented adversity. While remaining cautiously optimistic, the directors consider the group is well placed to sustain a satisfactory level of activity in the foreseeable future.

## Directors' report

Year ended 31 December 2020

---

### Directors

The directors who served during the period were:

Carmelo (*sive*) Melo Hili (Chairman)  
Dorian Desira (appointed on 4<sup>th</sup> January 2021)  
Ann Fenech (resigned on 9<sup>th</sup> June 2020)  
Massimiliano Eugenio Lupica  
Karen Pace  
Victor Tedesco  
Valentin-Alexandru Truta

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

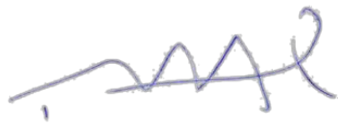
### Going Concern

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

### Auditors

A resolution to reappoint Grant Thornton as auditor of the company will be proposed at the forthcoming Annual General Meeting.

**Approved by the board of directors and signed on its behalf on 29 April, 2021 by:**



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



**Victor Tedesco**  
**Director**

## Statement of directors' responsibilities

Year ended 31 December 2020

---

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

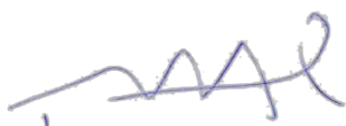
- adopt the going concern basis unless it is inappropriate to presume that the holding company and the group will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges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

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

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

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the holding company and its group as at 31 December 2020 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.



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



**Victor Tedesco**  
**Director**

## Corporate governance statement

---

### Introduction

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

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Code is in the best interest of the shareholders and other stakeholders since it ensures that the Directors, Management and employees of the group adhere to internationally recognised high standards of corporate governance.

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

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the Company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

### The Board of Directors

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

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

#### Executive Directors

Mr. Victor Tedesco

#### Non-Executive Directors

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

Mr. Valentin - Alexandru Truta

Mr. Dorian Desira

#### Independent Non-Executive Directors

Ms. Karen Pace

Mr. Massimiliano Eugenio Lupica

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

The remuneration of the Board is reviewed periodically by the shareholders of the Company.

## Corporate governance statement

---

### **The Board of Directors (continued)**

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

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

### **Audit Committee**

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

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

Mr Massimiliano Lupica (Chairman)  
Mr Valentin - Alexandru Truta  
Ms. Karen Pace

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

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

The Audit Committee met six times during the year 2020 and twice during 2021. Communication with and between the company secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

### **Internal Control**

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

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

## Corporate governance statement

---

### Internal Control (continued)

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

### Corporate Social Responsibility

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

The subsidiary companies in Estonia, Latvia, Lithuania, Malta and Romania organise an annual 'McHappy Day' programme of events held over one month to fundraise for charity. In Latvia, Malta and Romania, proceeds from McHappy Day go to the Ronald McDonald House Charities Chapters (of which the subsidiaries are founding mission partners). In Estonia and Lithuania, funds are donated to children's and family charities. Throughout the year, a nominal amount is also donated from every 'Happy' meal to the same causes. In Greece, a number of corporate responsibility and charitable initiatives take place each year, including donations to children's residential homes and support of environmental projects.

The Latvia chapter of RMHC operates a state-of-the-art Mobile Care clinic which tours the country providing medical services to children in poorly served areas. It provides a range of medical services including ophthalmology, treatment for asthma and neurology in partnership with a team of more than 30 medical professionals. Working closely with the Children's Clinical University Hospital of Latvia, the Ministry of Health and the Latvian Union of Municipalities, the mobile care centre travels the Latvian countryside daily. Some 5,000 medical consultations are conducted each year and since 2011, the charity has provided free medical exams to more than 40,000 Latvian children.



## Corporate governance statement

---

### Corporate Social Responsibility (continued)

In Malta, RMHC operates a 360-square meter Learning Centre with a mission to safeguard the well-being of children or young people in need of education support. The centre features training rooms, activity areas and a learning kitchen for children and teens with learning or social challenges, as well as their families. More than 120 children and young people benefitted from programmes while 270 sessions and activities were held at the premises in 2020. RMHC has made the Learning Centre available to small partner charities and NGOs which do not operate premises of their own. RMHC's partners include the Autism Parents Association, ADHD Malta, anti-bullying charity bBrave, the Service Dogs Foundation, Caritas Malta, mental health charity Richmond Foundation, Smiling with Jerome (a cancer patient support organisation), the participants of the peer mentoring scheme at the Malta College of Arts, Science and Technology, the National Literacy Agency, and the University of Malta's Department of Counselling.

RMHC in Romania operates two Ronald McDonald Houses offering free accommodation to families of children receiving hospital treatment. More than 11,000 parents whose children received treatment at the Grigore Alexandrescu Hospital have been accommodated at the RMHC House in Bucharest, which has 16 rooms and common use facilities. The RMHC House in Timisoara has hosted more than 9,500 parents of children hospitalised at the Louis Turcanu Hospital. Following its renovation in 2019, this house is able to accommodate 26 families at any one time. RMHC Romania is finalising plans to build its third house, which will be located on the grounds of the St Mary's Emergency Clinical Hospital for Children in Iasi. The house, to be developed in collaboration with BorgWarner Inc, will give priority to parents outside the city and nursing mothers. RMHC also supports numerous children's hospitals with the purchase of much needed equipment for the paediatric wards.

These three RMHC Chapters are part of the Ronald McDonald House Charities global non-profit network which delivers programmes and services in more than 65 countries and regions, benefitting the lives of millions of children and their families. McDonald's has been the RMHC's mission partner since the first RMHC House was established in the US in 1974.

In addition to their support of the RMHC Chapters, all subsidiary companies made numerous donations of food and hot drinks to frontline workers across their communities throughout the crisis caused by the pandemic in 2020.

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

### Relations with the market

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

## Corporate governance statement

---

### Non-compliance with the Code

#### *Principle 7: Evaluation of the board's performance*

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

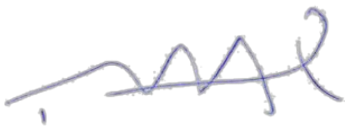
#### *Principle 8: Committees*

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

#### *Principle 10: Institutional shareholders,*

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

**Approved by the Board of Directors and signed on its behalf on 29 April, 2021 by:**



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



**Victor Tedesco**  
**Director**

## Statements of profit or loss and other comprehensive income

Year ended 31 December 2020

	Notes	2020 Eur	Group 2019 Eur	Holding Company	
				2020 Eur	2019 Eur
Revenue	5	<b>318,955,348</b>	341,280,746	<b>1,092,000</b>	1,092,000
Cost of sales	8	<b>(253,071,780)</b>	(262,004,936)	-	-
<b>Gross profit</b>		<b>65,883,568</b>	79,275,810	<b>1,092,000</b>	1,092,000
Other operating income		<b>978,971</b>	763,797	<b>46,793</b>	-
Selling expenses	8	<b>(19,909,596)</b>	(21,238,444)	-	-
Administrative expenses	8	<b>(20,973,899)</b>	(24,544,567)	<b>(5,219,621)</b>	(5,873,040)
Operating profit/(loss)		<b>25,979,044</b>	34,256,596	<b>(4,080,828)</b>	(4,781,040)
Investment income	6	<b>733,967</b>	902,477	<b>21,720,595</b>	32,106,324
Finance costs	7	<b>(7,709,178)</b>	(7,156,185)	<b>(2,901,895)</b>	(2,871,742)
Profit before tax	8	<b>19,003,833</b>	28,002,888	<b>14,737,872</b>	24,453,542
Income tax (expense)/credit	11	<b>(1,345,845)</b>	(2,298,718)	<b>167,222</b>	88,873
<b>Profit for the year</b>		<b>17,657,988</b>	25,704,170	<b>14,905,094</b>	24,542,415
<b>Other comprehensive income / (expense)</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
Decrease in fair value of financial assets at fair value through other comprehensive income					
	17	<b>(15,225)</b>	(15,883)	<b>(15,225)</b>	(15,883)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Decrease in fair value of financial assets at fair value through other comprehensive income					
	17	<b>(10,118)</b>	(20,240)	<b>(10,118)</b>	(20,240)
Revaluation on property, plant and equipment					
	14	-	6,007,738	-	-
Exchange differences on translation of foreign operations					
		<b>(862,070)</b>	(1,087,421)	-	-
		<b>(872,188)</b>	4,900,077	<b>(10,118)</b>	(20,240)
<b>Total other comprehensive income / (expense)</b>		<b>(887,413)</b>	4,884,194	<b>(25,343)</b>	(36,123)
<b>Total comprehensive income for the year</b>		<b>16,770,575</b>	30,588,364	<b>14,879,751</b>	24,506,292
<i>Profit attributable to:</i>					
Owners of the holding company					
		<b>17,446,079</b>	23,361,518		
Non-controlling interests					
	17	<b>211,909</b>	2,342,652		
		<b>17,657,988</b>	25,704,170		
<i>Total comprehensive income attributable to:</i>					
Owners of the holding company					
		<b>16,558,254</b>	27,753,680		
Non-controlling interests					
	17	<b>212,321</b>	2,834,684		
		<b>16,770,575</b>	30,588,364		

## Statements of financial position

31 December 2020

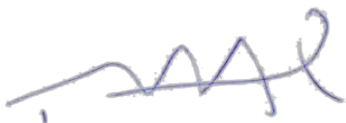
		Group		Holding Company	
	Notes	2020	2019	2020	2019
		Eur	Eur	Eur	Eur
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Goodwill	3	25,066,474	25,226,236	-	-
Intangible assets	13	7,748,417	8,558,822	4,269,059	4,878,935
Property, plant and equipment	14	93,883,322	96,091,408	20,023	25,188
Right-of-use assets	15	87,886,979	88,301,399	324,565	364,650
Financial assets at fair value through other comprehensive income	17	1,054,901	820,144	1,054,901	820,144
Investment in subsidiaries	17	-	-	56,375,780	56,375,780
Loans and receivables	17	11,000,000	530,550	36,688,243	29,897,304
Deferred tax assets	16	1,286,214	867,799	-	-
Prepayments	18	1,841,969	2,161,501	513,250	513,250
		<u>229,768,276</u>	<u>222,557,859</u>	<u>99,245,821</u>	<u>92,875,251</u>
<b>Current assets</b>					
Inventories	19	6,063,520	5,212,360	-	-
Loans and receivables	17	6,823,006	6,609,811	11,397,873	17,226,798
Trade and other receivables	20	6,349,438	5,234,594	2,956,350	1,814,456
Current tax asset		1,013,102	1,120,361	942,120	966,379
Cash and cash equivalents	28	28,741,915	32,497,681	1,600,399	1,161,226
		<u>48,990,981</u>	<u>50,674,807</u>	<u>16,896,742</u>	<u>21,168,859</u>
<b>Total assets</b>		<u>278,759,257</u>	<u>273,232,666</u>	<u>116,142,563</u>	<u>114,044,110</u>
<b>Current liabilities</b>					
Trade and other payables	21	34,124,181	34,275,362	1,339,525	1,298,879
Other financial liabilities	22	32,737	3,382,138	4,778,527	7,230,327
Bank borrowings	23	8,801,357	5,929,095	-	-
Lease liabilities	24	8,245,917	7,800,421	31,315	34,699
Current tax liabilities		351,304	2,058,046	-	-
		<u>51,555,496</u>	<u>53,445,062</u>	<u>6,149,367</u>	<u>8,563,905</u>
<b>Non-current liabilities</b>					
Bank borrowings	23	23,816,716	13,290,533	-	-
Debt securities in issue	25	64,445,856	64,352,198	64,445,856	64,352,198
Other financial liabilities	22	349,358	218,237	-	850,000
Lease liabilities	24	83,939,809	82,863,021	305,350	336,665
Provisions		306,170	420,235	-	-
Deferred tax liabilities	16	1,342,433	1,561,536	1,342,433	1,561,536
		<u>174,200,342</u>	<u>162,705,760</u>	<u>66,093,639</u>	<u>67,100,399</u>
<b>Total liabilities</b>		<u>225,755,838</u>	<u>216,150,822</u>	<u>72,243,006</u>	<u>75,664,304</u>
<b>Net assets</b>		<u>53,003,419</u>	<u>57,081,844</u>	<u>43,899,557</u>	<u>38,379,806</u>

## Statements of financial position

31 December 2020

	Notes	2020 Eur	Group 2019 Eur	Holding Company 2020 Eur	2019 Eur
<b>EQUITY</b>					
Share capital	26	<b>33,674,700</b>	33,674,700	<b>33,674,700</b>	33,674,700
Exchange translation reserves		<b>(3,308,667)</b>	(2,130,285)	-	-
Fair value reserve		<b>(94,768)</b>	(69,425)	<b>(94,768)</b>	(69,425)
Other reserves	27	<b>(174,614)</b>	8,780,884	<b>212,351</b>	212,351
Retained earnings		<b>22,906,768</b>	12,131,089	<b>10,107,274</b>	4,562,180
Equity attributable to:					
Owners of the holding company		<b>53,003,419</b>	52,386,963	<b>43,899,557</b>	38,379,806
Non-controlling interests	17	-	4,694,881	-	-
<b>Total equity</b>		<b>53,003,419</b>	57,081,844	<b>43,899,557</b>	38,379,806

These financial statements were approved by the board of directors, authorised for issue on 29 April, 2021 and signed on its behalf by:



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



**Victor Tedesco**  
**Director**

## Statement of changes in equity

Year ended 31 December 2020

### Group

	Share capital	Exchange translation reserve	Fair value reserve	Other reserves	Retained earnings	Attributable to owners of the holding company	Non-controlling interests	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
<b>Balance at 1 January 2019</b>	33,674,700	(1,151,606)	(33,302)	2,861,353	9,282,138	<b>44,633,283</b>	4,067,517	<b>48,700,800</b>
Dividends (Note 12)	-	-	-	-	(20,000,000)	<b>(20,000,000)</b>	-	<b>(20,000,000)</b>
Dividends paid to non-controlling interests (Note 12)	-	-	-	-	-	-	(2,207,320)	<b>(2,207,320)</b>
Profit for the year	-	-	-	-	23,361,518	<b>23,361,518</b>	2,342,652	<b>25,704,170</b>
Other comprehensive expense for the year	-	(978,679)	(36,123)	5,406,964	-	<b>4,392,162</b>	492,032	<b>4,884,194</b>
Total comprehensive income for the year	-	(978,679)	(36,123)	5,406,964	23,361,518	<b>27,753,680</b>	2,834,684	<b>30,588,364</b>
Movement in other reserves (Note 27)	-	-	-	512,567	(512,567)	-	-	-
<b>Balance at 1 January 2020</b>	33,674,700	(2,130,285)	(69,425)	8,780,884	12,131,089	<b>52,386,963</b>	4,694,881	<b>57,081,844</b>
Dividends (Note 12)	-	-	-	-	(9,360,000)	<b>(9,360,000)</b>	-	<b>(9,360,000)</b>
Profit for the year	-	-	-	-	17,446,079	<b>17,446,079</b>	211,909	<b>17,657,988</b>
Other comprehensive income for the year	-	(862,482)	(25,343)	-	-	<b>(887,825)</b>	412	<b>(887,413)</b>
Total comprehensive income for the year	-	(862,482)	(25,343)	-	17,446,079	<b>16,558,254</b>	212,321	<b>16,770,575</b>
Acquisition of non-controlling interest (Notes 17 and 27)	-	(315,900)	-	(8,955,498)	2,689,600	<b>(6,581,798)</b>	(4,907,202)	<b>(11,489,000)</b>
<b>Balance at 31 December 2020</b>	<b>33,674,700</b>	<b>(3,308,667)</b>	<b>(94,768)</b>	<b>(174,614)</b>	<b>22,906,768</b>	<b>53,003,419</b>	-	<b>53,003,419</b>

## Statement of changes in equity

Year ended 31 December 2020

### Holding Company

	Share capital	Fair value reserve	Other reserve	Retained earnings	Total
	Eur	Eur	Eur	Eur	Eur
<b>Balance at 1 January 2019</b>	33,674,700	(33,302)	212,351	19,765	<b>33,873,514</b>
Dividends (Note 12)	-	-	-	(20,000,000)	<b>(20,000,000)</b>
Profit for the year	-	-	-	24,542,415	<b>24,542,415</b>
Other comprehensive expense for the year	-	(36,123)	-	-	<b>(36,123)</b>
Total comprehensive income for the year	-	(36,123)	-	24,542,415	<b>24,506,292</b>
<b>Balance at 1 January 2020</b>	33,674,700	(69,425)	212,351	4,562,180	<b>38,379,806</b>
Dividends (Note 12)	-	-	-	(9,360,000)	<b>(9,360,000)</b>
Profit for the year	-	-	-	14,905,094	<b>14,905,094</b>
Other comprehensive expense for the year	-	(25,343)	-	-	<b>(25,343)</b>
Total comprehensive income for the year	-	(25,343)	-	14,905,094	<b>14,879,751</b>
<b>Balance at 31 December 2020</b>	<b>33,674,700</b>	<b>(94,768)</b>	<b>212,351</b>	<b>10,107,274</b>	<b>43,899,557</b>

## Statements of cash flows

Year ended 31 December 2020

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
<b>Cash flows from operating activities</b>				
Profit before tax	19,003,833	28,002,888	14,737,872	24,453,542
<i>Adjustments for:</i>				
Depreciation and amortisation	25,557,878	21,958,921	660,400	664,221
Interest expense	7,615,520	7,062,527	2,808,237	2,778,084
Interest income	(713,062)	(814,531)	(1,705,120)	(1,529,401)
Amortisation of bond issue expenses	93,658	93,658	93,658	93,658
Gain on derivative financial instrument	(5,430)	(87,946)	-	-
Loss on disposal of property, plant and equipment and intangible assets	177,186	372,455	310	577
Dividend income from financial assets at fair value through other comprehensive income	(15,475)	-	(15,475)	-
Dividend income from subsidiaries	-	-	(20,000,000)	(30,576,923)
Revaluation loss on property, plant and equipment	-	391,381	-	-
Reversal of impairment loss on property, plant and equipment	-	(18,120)	-	-
Impairment of property, plant and equipment	-	20,426	-	-
Operating profit/(loss) before working capital movement	51,714,108	56,981,659	(3,420,118)	(4,116,242)
Movement in inventories	(851,160)	(20,115)	-	-
Movement in trade and other receivables	(795,312)	85,280	(1,141,894)	(938,276)
Movement in trade and other payables	(265,246)	937,894	40,646	280,806
Cash flows from operations	49,802,390	57,984,718	(4,521,366)	(4,773,712)
Interest paid	(3,835,648)	(3,768,501)	(2,544,032)	(2,516,559)
Income tax paid	(3,582,846)	(5,124,123)	(27,622)	(1,327,042)
<i>Net cash flows from / (used in) operating activities</i>	42,383,896	49,092,094	(7,093,020)	(8,617,313)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(13,548,705)	(20,236,988)	(5,584)	(8,083)
Proceeds from sale of property, plant and equipment	141,065	185,811	-	-
Purchase of intangible assets	(559,592)	(403,288)	-	-
Purchase of financial assets at fair value through other comprehensive income	(260,100)	-	(260,100)	-
Acquisition of non-controlling interest	(11,489,000)	-	-	-
Advances to subsidiaries	-	-	(1,574,208)	(5,759,526)
Settlement from subsidiaries	-	-	28,081,396	16,477,705
Advances to related parties	(8,523,226)	(1,070,763)	(7,440,196)	(2,625)
Settlement from related parties	1,850,885	1,811,354	228,743	2,625
Advances to ultimate parent	(4,267,404)	(380,088)	(4,267,404)	(379,086)
Settlement from ultimate parent	250,592	386,146	250,592	385,144
Dividends received from financial assets at fair value through other comprehensive income	15,475	-	15,475	-
Dividends received from subsidiary	-	-	2,200,000	4,700,000
Interest received	718,492	814,531	1,705,120	1,335,131
<i>Net cash flows (used in) / from investing activities</i>	(35,671,518)	(18,893,285)	18,933,834	16,751,285
<b>Cash flows from financing activities</b>				
Repayment of bank borrowings	(6,289,379)	(6,088,023)	-	-
Drawdowns from bank facilities	19,762,192	-	-	-
Repayment from lease liabilities	(8,334,470)	(7,177,416)	(34,699)	(33,366)
Interest from lease liabilities	(3,648,751)	(3,272,230)	(13,817)	(15,150)
Dividends paid to ultimate parent	(11,360,000)	(13,500,000)	(11,360,000)	(13,500,000)
Dividends paid to non-controlling interests	-	(1,846,075)	-	-
Movement in other financial liabilities	(1,349,401)	(115,355)	6,875	1,487,780
<i>Net cash flows used in financing activities</i>	(11,219,809)	(31,999,099)	(11,401,641)	(12,060,736)
<b>Net movement in cash and cash equivalents</b>	(4,507,431)	(1,800,290)	439,173	(3,926,764)
<b>Cash and cash equivalents at the beginning of the year</b>	32,497,681	33,571,848	1,161,226	5,087,990
<b>Exchange differences on translation of foreign operations</b>	351,665	726,123	-	-
<b>Cash and cash equivalents at the end of the year (note 28)</b>	28,341,915	32,497,681	1,600,399	1,161,226



## Notes to the financial statements

31 December 2020

---

### 1. Company information and basis of preparation

Premier Capital plc is a public limited company incorporated in Malta with registration number C36522. The registered address of the holding company is Nineteen Twenty Three, Valletta Road, Marsa, MRS 3000. As disclosed in note 25, it has issued bonds which are listed on the Malta Stock Exchange.

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

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, management evaluates on an ongoing basis the performance and projections of the various subsidiaries, and the effect that similar business disruption might have on the profitability, liquidity and going concern of the group in the future. During 2020, these events have had a significant impact on the general economy, however operating and forecasted results show that the industry in which the group operates has been and will continue to be resilient to any negative impact being experienced by the general economy. The results for the year ending 31 December 2021 are expected to be restored and positively impacted with the effect that herd immunity and progressive vaccination is expected to have on general economic and corporate outlook and consumer confidence. Directors retain a sense of cautious optimism and with the available business outlook in hand, management consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. It is also believed that no material uncertainty that may cast significant doubt about the group's ability to continue as a going concern exists at that date. All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 31 December 2020.

The significant accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

## Notes to the financial statements

31 December 2020

---

### 1. Company information and basis of preparation (continued)

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

### 2. Significant accounting policies

#### *Basis of consolidation*

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

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

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

Non-controlling interests in the net assets or liabilities of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consists of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the combination. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### *Business combinations*

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except where the exceptions to the recognition or measurement principles apply.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Business combinations (continued)*

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

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

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

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

Where the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Goodwill*

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

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

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

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

#### *Investment in subsidiaries*

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

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

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Property, plant and equipment*

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

Property, plant and equipment are initially measured at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the group's management. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders equity.

Improvements to premises incorporate all costs incurred, including acquisition costs and other costs attributable to bring the leased premises to the design, specifications and conditions requested by McDonalds. Subsequent to initial recognition, improvements to premises are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Depreciation*

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

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

No depreciation is charged on land.

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

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

#### *Intangible assets*

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

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

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Intangible assets (continued)*

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

(i) Support services licence

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

(ii) Computer software

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

(iii) Acquired rights

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

(iv) Franchise fees

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Financial instruments*

(i) Recognition and derecognition

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

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

(ii) Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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



## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### (iii) Subsequent measurement of financial assets

###### *Financial assets at amortised cost*

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

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

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

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

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

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

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset. The group's local listed debt and equity instruments fall into this category of financial instruments.

##### (iv) Impairment of financial assets

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

The group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### (iv) Impairment of financial assets (continued)

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

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

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

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

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

#### *Trade and other receivables*

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

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

##### (v) Classification and measurement of financial liabilities

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

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### (v) Classification and measurement of financial liabilities (continued)

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

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

##### (vi) Derivative financial instruments

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

#### *Inventories*

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

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

#### *Provisions, contingent assets and contingent liabilities*

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Provisions, contingent assets and contingent liabilities (continued)*

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

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

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

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

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

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

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

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

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

Impairment losses are recognised immediately in profit or loss.

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

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

An impairment loss recognised for goodwill is not reversed in a subsequent period. Impairment reversals are recognised immediately in profit or loss.

#### *Revenue recognition*

To determine whether to recognise revenue, the group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The holding company often enters into transactions involving a range of services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties, VAT and trade discounts.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers. The following specific criteria must also be met:

#### Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Revenue recognition (continued)*

##### Provision of services

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

##### Interest income

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

##### Dividend income

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

#### *Operating expenses*

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

#### *Borrowing costs*

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Leases*

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

The group considers whether a contract is, or contains a lease at the inception of the contract. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the group has the right to direct the use of the identified asset throughout the period of use. The group assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use of asset or the end of the lease term. The group also assess the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Leases (continued)*

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the group has opted to disclose right-of-use assets and lease liabilities as separate financial statement line items.

#### *Taxation*

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

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

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

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

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



## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Taxation (continued)*

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

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

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

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

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

#### *Employee benefits*

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

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Foreign currency translation*

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

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

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

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

For the purpose of presenting consolidated financial statements, income and expenses of the group's foreign operations are translated to Euro at the average exchange rates. Assets and liabilities of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Euro at the closing rate. Exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

## Notes to the financial statements

31 December 2020

---

### 2. Significant accounting policies (continued)

#### *Cash and cash equivalents*

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

#### *Prepayments*

Long term prepayments represent guarantee deposits made by the group in order to secure the lease on rented premises on which the McDonalds' restaurants are situated. Once the lease on the rented premises is terminated, the guarantee deposit is released, and it is no longer recognised within long term prepayments in the statement of financial position. Long term prepayment for the holding company mainly represents a guarantee deposit made for the provision of a leased aircraft (refer to note 24).

#### *Equity, reserves and dividend payments*

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

- (i) Exchange translation reserves comprises foreign currency translation differences arising from the translation of transactions and balances of the group's foreign entities into Euros;
- (ii) Fair value reserve comprises movement in fair value of financial assets measured at fair value through other comprehensive income; and
- (iii) Other reserves - refer to note 27.

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

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

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

## Notes to the financial statements

31 December 2020

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

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

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

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

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

Reconciliation of reported goodwill is presented below:

	Group Eur
<b>Cost</b>	
At 01.01.2019	25,439,875
Difference on exchange on foreign operations	(213,639)
At 31.12.2019	25,226,236
Difference on exchange on foreign operations	(159,762)
<b>At 31.12.2020</b>	<b>25,066,474</b>

The carrying amount of goodwill as at 31 December 2020 amounting to *Eur25,066,474* (2019 - *Eur25,226,236* ) is allocated *Eur16,591,999* (2019 - *Eur16,591,999*) to the Malta operations and *Eur8,474,475* (2019 - *Eur8,634,237*) to the Romania operations. Since goodwill for Romania operations is denominated in Romanian Lei, movement in foreign exchange differences negatively impacted the carrying amount of the goodwill by *Eur159,762* (2019 - *Eur213,639*).

## Notes to the financial statements

31 December 2020

---

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

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

#### *CGUs for Malta operations*

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

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of 0.1% (2019 – 2.0%); and
- use of 13.3% (pre-tax) (2019 – 12.86%) to discount the projected cash flows to net present values.

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

#### *CGUs for Romania operations*

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

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of 0.1% (2019 – 2.0%); and
- use of 9.7% (pre-tax) (2019 – 11.14%) to discount the projected cash flows to net present values.

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

#### *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

## Notes to the financial statements

31 December 2020

---

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

#### *Determining the lease term of contracts with renewal and termination options – Group as lessee*

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

#### *Estimation uncertainty*

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

##### *Inventories*

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

##### *Leases - Estimating the incremental borrowing rate*

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the lessor company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessor company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the group's stand-alone credit rating).

## Notes to the financial statements

31 December 2020

---

### 4. New or revised Standards or Interpretations

*Standards, amendments and Interpretations to existing Standards that have been adopted by the group*

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the group's financial results or position. Accordingly, the group has made no changes to its accounting policies in 2020.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable to the group are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have been made.

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

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

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

## Notes to the financial statements

31 December 2020

---

### 5. Segment information

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

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Revenue reported below represents revenue generated from external customers. Revenue earned by the holding company amounting to *Eur1,092,000* (2019 - *Eur1,092,000*) relates to consultancy and support fees charged to subsidiaries. There were no inter-segment sales in both years presented. The group's reportable segments under IFRS 8 *Operating Segments* are direct sales attributable to each country where it operates as a McDonald's development licensee.

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

#### *Measurement of operating segment profit or loss, assets and liabilities*

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

The unallocated amounts in the intangible assets line include the support services licence amounting to *Eur4,269,059* (2019 - *Eur4,878,935*) which relates to the Baltic market as disclosed in note 13. It is not possible to split this amount between the operating segments of Latvia, Lithuania and Estonia as this was acquired originally for the market as a whole.

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



## Notes to the financial statements

31 December 2020

### 5. Segment information (continued)

#### *Measurement of operating segment profit or loss, assets and liabilities (continued)*

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

#### **Profit or loss before tax**

	2020	2019
	Eur	Eur
Total profit for reportable segments	25,941,204	35,142,691
Elimination of inter segment profits	(19,917,241)	(30,514,412)
Unallocated amounts:		
Revenue	1,092,000	1,092,000
Administrative expenses	(5,760,766)	(6,224,883)
Investment Income	21,720,595	32,106,324
Finance costs	(4,116,186)	(3,597,907)
Other unallocated amounts	44,227	(925)
	<u>19,003,833</u>	<u>28,002,888</u>

#### **Assets**

	2020	2019
	Eur	Eur
Total assets for reportable segments	232,303,501	216,978,276
Elimination of inter segment receivables	(33,895,104)	(24,969,113)
Unallocated amounts:		
Goodwill	25,066,474	25,226,236
Intangible assets	4,269,059	4,878,935
Financial assets at fair value through other comprehensive income	1,054,901	820,144
Loans and receivables	48,086,116	47,124,102
Trade and other receivables	2,956,350	1,814,456
Current tax asset	942,120	966,379
Cash and cash equivalents	1,600,399	1,161,226
Other unallocated amounts	(3,624,559)	(767,975)
	<u>278,759,257</u>	<u>273,232,666</u>

## Notes to the financial statements

31 December 2020

### 5. Segment information (continued)

#### Liabilities

	2020	2019
	Eur	Eur
Total liabilities for reportable segments	<b>125,776,997</b>	126,005,691
Elimination of inter segment payables	<b>184,365</b>	22,225
Unallocated amounts:		
Trade and other payables	<b>1,339,525</b>	1,298,879
Other financial liabilities	<b>32,737</b>	3,382,138
Bank borrowings	<b>32,218,073</b>	19,219,628
Debt securities in issue	<b>64,445,856</b>	64,352,198
Deferred tax liabilities	<b>1,342,433</b>	1,561,536
Other unallocated amounts	<b>415,852</b>	308,527
	<b><u>225,755,838</u></b>	<u>216,150,822</u>

## Notes to the financial statements

31 December 2020

### 5. Segment Information (continued)

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

	Estonia 2020 Eur	Greece 2020 Eur	Latvia 2020 Eur	Lithuania 2020 Eur	Malta 2020 Eur	Romania 2020 Eur	Total 2020 Eur	Unallocated 2020 Eur	Eliminations and adjustments 2020 Eur	Consolidated 2020 Eur
<b>Continuing operations</b>										
Revenue	23,949,742	37,506,859	26,371,752	30,268,693	22,227,310	178,630,992	318,955,348	-	-	318,955,348
Profit before tax	2,198,506	(320,079)	2,122,304	2,313,371	1,305,355	18,321,747	25,941,204	12,979,870	(19,917,241)	19,003,833
Depreciation and amortisation	1,181,695	4,631,773	2,460,026	2,517,145	2,513,850	11,584,514	24,889,003	660,400	8,475	25,557,878
Segment assets	10,453,405	33,079,180	32,934,387	26,292,784	19,653,445	109,890,300	232,303,501	80,350,860	(33,895,104)	278,759,257
Right-of-use assets	2,716,447	17,944,010	11,523,378	14,186,924	11,505,130	29,686,525	87,562,414	324,565	-	87,886,979
Property, plant and equipment	3,387,754	13,637,704	6,072,875	9,562,399	3,132,372	58,245,195	94,038,299	20,023	(175,000)	93,883,322
Intangible assets	33,787	442,247	323,751	423,685	325,101	1,871,437	3,420,008	4,269,059	59,350	7,748,417
Capital expenditure	273,172	3,781,580	338,847	2,715,186	470,718	6,523,210	14,102,713	5,584	-	14,108,297
Segment liabilities	5,389,618	24,907,704	17,211,465	18,745,533	15,097,867	44,424,810	125,776,997	99,794,476	184,365	225,755,838
Lease liabilities	2,816,980	18,860,852	12,031,074	14,730,589	11,774,632	31,634,934	91,849,061	336,665	-	92,185,726
Income tax expense	418,200	(153,142)	129,922	308,588	488,949	320,550	1,513,067	(167,222)	-	1,345,845

## Notes to the financial statements

31 December 2020

### 5. Segment Information (continued)

	Estonia 2019 Eur	Greece 2019 Eur	Latvia 2019 Eur	Lithuania 2019 Eur	Malta 2019 Eur	Romania 2019 Eur	Total 2019 Eur	Unallocated 2019 Eur	Eliminations and adjustments 2019 Eur	Consolidated 2019 Eur
Continuing operations										
Revenue	24,492,443	40,771,861	26,122,200	29,300,042	26,357,399	194,236,801	341,280,746	-	-	341,280,746
Profit before tax	2,820,962	1,434,030	2,558,751	1,954,426	1,703,085	24,671,437	35,142,691	23,374,609	(30,514,412)	28,002,888
Depreciation and amortisation	1,304,957	3,857,368	2,291,692	2,150,161	2,588,430	9,104,169	21,296,777	664,221	(2,077)	21,958,921
Segment assets	11,381,150	28,220,428	32,551,934	22,665,842	20,830,401	101,328,521	216,978,276	81,223,503	(24,969,113)	273,232,666
Right-of-use assets	3,023,656	15,611,098	12,217,274	13,613,767	12,841,280	30,629,674	87,936,749	364,650	-	88,301,399
Property, plant and equipment	3,968,099	12,236,760	7,128,811	8,519,698	3,851,207	60,536,645	96,241,220	25,188	(175,000)	96,091,408
Intangible assets	33,248	280,509	352,939	369,975	330,786	2,244,605	3,612,062	4,878,935	67,825	8,558,822
Capital expenditure	380,089	4,088,155	1,468,460	1,454,233	1,279,804	11,961,452	20,632,193	8,083	-	20,640,276
Segment liabilities	5,940,290	23,232,013	17,467,860	16,603,687	17,091,228	45,670,613	126,005,691	90,122,906	22,225	216,150,822
Lease liabilities	3,079,380	16,272,542	12,485,655	13,885,364	12,851,510	31,717,627	90,292,078	371,364	-	90,663,442
Income tax expense	549,418	394,281	476,587	355,899	629,659	1,058,670	3,464,514	(88,873)	(1,076,923)	2,298,718

## Notes to the financial statements

31 December 2020

### 6. Investment income

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Interest income on bank deposits	145,222	216,332	-	-
Interest income from subsidiaries	-	-	1,149,760	990,885
Interest income from ultimate parent	285,005	382,500	285,005	382,500
Interest income from other related parties	252,676	185,487	240,196	125,821
Gain on derivative financial instrument	5,430	87,946	-	-
Other interest income	30,159	30,212	30,159	30,195
Dividends from financial assets at fair value through other comprehensive income	15,475	-	15,475	-
Dividends from investments in subsidiaries	-	-	20,000,000	30,576,923
	<b>733,967</b>	<b>902,477</b>	<b>21,720,595</b>	<b>32,106,324</b>

### 7. Finance costs

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Interest on bank borrowings	901,623	989,579	-	-
Interest on bonds	2,437,500	2,437,500	2,437,500	2,437,500
Amortisation of bond issue expenses	93,658	93,658	93,658	93,658
Interest on amounts payable to subsidiaries	-	-	250,388	246,375
Interest expense for leasing arrangements	3,648,751	3,272,230	13,817	15,150
Bank commissions	11,176	10,139	-	-
Loss on derivate financial instrument	216,198	21,796	-	-
Other finance costs	400,272	331,283	106,532	79,059
	<b>7,709,178</b>	<b>7,156,185</b>	<b>2,901,895</b>	<b>2,871,742</b>

## Notes to the financial statements

31 December 2020

### 8. Profit before tax

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

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Raw materials and consumables used	103,732,460	110,861,672	-	-
Changes in inventories of raw materials and consumables used	(851,160)	(20,115)	-	-
Advertising, promotion and other distribution costs	28,191,165	24,496,216	-	-
Amortisation of intangible assets (note 13)	1,330,692	1,324,984	609,876	609,876
Depreciation of property, plant and equipment (note 14)	14,326,733	11,690,067	10,439	14,265
Depreciation of right-of-use assets (note 15)	9,900,453	8,943,870	40,085	40,080
Legal and professional fees	1,342,705	1,274,227	107,133	28,256
Management fees payable to ultimate parent (note 9)	1,000,000	360,000	1,000,000	360,000
Operating lease rentals (note 31)	698,160	782,544	698,160	782,544
Variable rental lease payments	2,217,176	4,384,215	-	-
Operating supplies	10,068,725	9,155,770	-	-
Royalties	19,064,488	20,854,363	-	-
Maintenance and repairs	4,556,326	4,870,569	-	-
Travelling expenses	1,737,533	4,075,505	927,006	1,982,941
Utilities and telephone expenses	8,627,926	9,239,283	44,312	37,620
Directors emoluments	756,557	662,235	756,557	662,235
Wages and salaries (note 10)	81,356,812	87,726,314	901,084	1,158,763
Staff training	1,569	33,287	1,569	33,287
Office and general expenses	3,737,699	3,928,060	15,461	28,776
Other expenses	2,159,256	3,144,881	107,939	134,397
<b>Total</b>	<b>293,955,275</b>	<b>307,787,947</b>	<b>5,219,621</b>	<b>5,873,040</b>

## Notes to the financial statements

31 December 2020

### 8. Profit before tax (continued)

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

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Net exchange differences	<b>638,450</b>	918,969	-	-
Loss on disposal of property, plant and equipment	<b>177,186</b>	372,455	<b>310</b>	577
Revaluation loss on property, plant and equipment	-	391,381	-	-
Impairment loss on property, plant and equipment	-	20,426	-	-
Reversal of impairment loss on property, plant and equipment	-	(18,120)	-	-
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

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

#### Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to *Eur47,760* (2019 – *Eur47,600*) and the remuneration payable to the other auditors in respect of the audits of the undertakings included in the consolidated financial statements amounted to *Eur158,760* (2019 – *Eur156,674*). Other fees payable to the parent company's auditors for tax services amounted to *Eur3,205* (2019 – *Eur2,410*).

#### Holding Company

Total remuneration payable to the parent company's auditors for the audit of the holding company and the group's financial statements amounted to *Eur26,500* (2019 – *Eur26,500*). Other fees payable to the parent company's auditors for tax services amounted to *Eur775* (2019 – *Eur725*).

## Notes to the financial statements

31 December 2020

### 9. Key management personnel compensation

	Group and Holding Company	
	2020	2019
	Eur	Eur
<b>Directors' compensation:</b>		
Short term benefits:		
Directors' remuneration	756,557	662,235
<b>Other key management personnel compensation:</b>		
Short term benefits:		
Salaries and social security contribution	773,782	654,336
	<u>1,530,339</u>	<u>1,316,571</u>

Included within administrative expenses, are also management fees payable to the ultimate parent company amounting to *Eur1,000,000* (2019 – *Eur360,000*).

### 10. Staff costs and employee information

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
<b>Staff costs:</b>				
Wages and salaries	73,564,197	79,585,920	949,669	1,173,538
Social security costs	7,792,615	8,140,394	21,693	19,721
	<u>81,356,812</u>	<u>87,726,314</u>	<u>971,362</u>	<u>1,193,259</u>
Recharged to subsidiaries	-	-	(70,278)	(34,496)
	<u>81,356,812</u>	<u>87,726,314</u>	<u>901,084</u>	<u>1,158,763</u>

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

Included within wages and salaries are the COVID-19 relief on wages received by the group during 2020 amounting to *Eur5,290,086*. An amount of *Eur5,101,196* is deducted in cost of sales and *Eur188,890* is deducted in administrative expenses.

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

	Group		Holding Company	
	2020	2019	2020	2019
	Number	Number	Number	Number
Operations	8,518	8,542	-	-
Administration	208	208	12	12
	<u>8,726</u>	<u>8,750</u>	<u>12</u>	<u>12</u>



## Notes to the financial statements

31 December 2020

### 11. Income tax expense/(credit)

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Current tax expense	1,983,363	2,784,988	51,881	132,129
Deferred tax credit	(637,518)	(486,270)	(219,103)	(221,002)
	<u>1,345,845</u>	<u>2,298,718</u>	<u>(167,222)</u>	<u>(88,873)</u>

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

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Profit before tax	<u>19,003,833</u>	<u>28,002,888</u>	<u>14,737,872</u>	<u>24,453,542</u>
Tax at the applicable rate of 35%	6,651,342	9,801,011	5,158,255	8,558,740
<i>Tax effect of:</i>				
Non-deductibility of depreciation and amortisation	95,340	85,405	-	-
Effect of write off foreign tax	14,434	14,031	14,434	14,031
Disallowable expenses	1,876,179	937,619	1,769,396	963,356
Effect of different tax rates of subsidiaries	(2,250,268)	(341,879)	-	-
Effect of flat rate foreign tax credit	(109,307)	-	(109,307)	-
Untaxed dividends	(7,000,000)	(9,625,000)	(7,000,000)	(9,625,000)
Profits not chargeable to tax and tax exemptions	2,189,186	789,462	-	-
Prior year under provided tax	(109,123)	-	-	-
Other permanent differences	(11,938)	638,069	-	-
Income tax expense/(credit) for the year	<u>1,345,845</u>	<u>2,298,718</u>	<u>(167,222)</u>	<u>(88,873)</u>

The tax rate used for the 2020 and 2019 reconciliations is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in Malta.

## Notes to the financial statements

31 December 2020

---

### 12. Dividends

#### Group and Holding Company

In respect of the current year a net interim dividend of *Eur9,360,000* (*Eur27.80c* per ordinary share) (2019 – *Eur20,000,000* (*Eur59.39c* per ordinary share)) was declared to the ordinary shareholders of the holding company. In 2019, *Eur5,000,000* were converted into dividends from loans and *Eur2,000,000* were still due as at 31 December 2019 (note 22). The *Eur2,000,000* were settled during 2020, and as at the end of the reporting period no declared dividends are due to the ordinary shareholders.

Furthermore, dividends amounting to *Eur20,000,000* (*Eur59.39c* per ordinary share) (2019 – *Eur30,576,923* (*Eur90.80c* per ordinary share)) were paid by the direct subsidiaries, none of which were attributable to non-controlling interests. In 2019, dividends amounting to *Eur28,973,199* (*Eur86.04c* per ordinary share) were paid by the indirect subsidiaries, of which *Eur2,207,320* were attributable to non-controlling interest. During 2020, the group acquired the non-controlling interest (note 17b) before any dividends were distributed by the indirect subsidiary and therefore no dividends were attributed to the non-controlling interest.

## Notes to the financial statements

31 December 2020

### 13. Intangible assets

#### Group

	Support services licence Eur	Computer software Eur	Acquired rights and franchise fee Eur	Other intangibles Eur	Total Eur
<b>Cost</b>					
At 01.01.2019	12,366,964	2,196,618	4,379,054	7,763	18,950,399
Additions	-	333,227	70,061	-	403,288
Disposals	-	(8,988)	-	-	(8,988)
Exchange differences	-	(36,361)	(61,587)	(310)	(98,258)
At 01.01.2020	12,366,964	2,484,496	4,387,528	7,453	19,246,441
Additions	-	408,857	131,235	19,500	559,592
Disposals	-	(56,714)	(147,907)	-	(204,621)
Exchange differences	-	(29,157)	(46,056)	(232)	(75,445)
<b>At 31.12.2020</b>	<b>12,366,964</b>	<b>2,807,482</b>	<b>4,324,800</b>	<b>26,721</b>	<b>19,525,967</b>
<b>Amortisation</b>					
At 01.01.2019	6,801,852	963,702	1,640,987	725	9,407,266
Provision for the year	618,351	410,954	295,386	293	1,324,984
Released on disposal	-	(8,312)	-	-	(8,312)
Exchange differences	-	(15,632)	(20,545)	(142)	(36,319)
At 01.01.2020	7,420,203	1,350,712	1,915,828	876	10,687,619
Provision for the year	618,351	412,281	300,056	4	1,330,692
Released on disposal	-	(56,714)	(147,906)	-	(204,620)
Exchange differences	-	(16,310)	(19,721)	(110)	(36,141)
<b>At 31.12.2020</b>	<b>8,038,554</b>	<b>1,689,969</b>	<b>2,048,257</b>	<b>770</b>	<b>11,777,550</b>
<b>Carrying amount</b>					
At 31.12.2019	4,946,761	1,133,784	2,471,700	6,577	8,558,822
<b>At 31.12.2020</b>	<b>4,328,410</b>	<b>1,117,513</b>	<b>2,276,543</b>	<b>25,951</b>	<b>7,748,417</b>

## Notes to the financial statements

31 December 2020

### 13. Intangible assets (continued)

#### Holding Company

	Support services licence Eur	Computer Software Eur	Total Eur
<b>Cost</b>			
At 01.01.2019 / 31.12.2020	<u>12,197,438</u>	<u>190,939</u>	<u>12,388,377</u>
<b>Amortisation</b>			
At 01.01.2019	6,708,627	190,939	6,899,566
Provision for the year	609,876	-	609,876
At 01.01.2020	7,318,503	190,939	7,509,442
Provision for the year	609,876	-	609,876
At 31.12.2020	<u>7,928,379</u>	<u>190,939</u>	<u>8,119,318</u>
<b>Carrying amount</b>			
At 31.12.2019	<u>4,878,935</u>	<u>-</u>	<u>4,878,935</u>
At 31.12.2020	<u>4,269,059</u>	<u>-</u>	<u>4,269,059</u>

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

The acquired rights and franchise fees in relation to the group with a carrying amount of *Eur2,276,543* (2019 – *Eur2,471,700*) are amortised over the term of the franchise agreements in place with Mc Donald's Corporation to operate the Mc Donald's brand in all markets. Generally, amortisation period is twenty years.

Computer software for the group with a carrying amount of *Eur1,117,513* (2019 – *Eur1,133,784*) mainly relates to a new ERP system invested into by the Romania segment during 2019 to improve the business operations and obtain efficiencies in reporting. The amortisation period is over five years.

The support services licence owned by the group and the holding company with a carrying amount of *Eur4,269,059* (2019 – *Eur4,878,935*) will be fully amortised within eight years, and relates to the licence paid to Mc Donald's Corporation to operate the Mc Donald's brand in the Baltic countries.

## Notes to the financial statements

31 December 2020

### 14. Property, plant and equipment

#### Group

	Land and buildings Eur	Improvements to premises Eur	Motor vehicles Eur	Plant and equipment Eur	Other equipment Eur	Total Eur
<b>Cost</b>						
At 01.01.2019	53,987,321	22,657,209	1,243,193	53,045,887	12,147,861	143,081,471
Additions	2,855,424	4,461,957	261,362	10,270,608	2,387,637	20,236,988
Disposals	(80,672)	(628,473)	(283,727)	(2,027,224)	(1,168,385)	(4,188,481)
Revaluation	5,609,604	6,897	-	-	-	5,616,501
Transfers	-	7,475	-	(36,497)	29,022	-
Exchange differences	(844,368)	(160,412)	(34,967)	(919,657)	(12,553)	(1,971,957)
At 01.01.2020	61,527,309	26,344,653	1,185,861	60,333,117	13,383,582	162,774,522
Additions	490,838	5,228,451	165,698	6,339,198	1,324,520	13,548,705
Disposals	(53,688)	(1,272,693)	(269,572)	(1,488,337)	(498,528)	(3,582,818)
Transfers	4,595	(9,482)	6,689	82,528	(84,330)	-
Exchange differences	(685,445)	(128,267)	(25,239)	(782,909)	(9,969)	(1,631,829)
<b>At 31.12.2020</b>	<b>61,283,609</b>	<b>30,162,662</b>	<b>1,063,437</b>	<b>64,483,597</b>	<b>14,115,275</b>	<b>171,108,580</b>
<b>Accumulated depreciation</b>						
At 01.01.2019	15,731,550	9,674,175	410,551	24,401,054	9,125,224	59,342,554
Provision for the year	2,186,747	1,409,178	246,065	5,443,755	2,404,322	11,690,067
Released on disposal	(30,920)	(427,108)	(232,284)	(1,874,941)	(1,065,639)	(3,630,892)
Transfers	-	(315)	-	(38,312)	38,627	-
Impairment	-	-	5,267	15,159	-	20,426
Reversal of impairment	-	-	-	(18,120)	-	(18,120)
Exchange differences	(128,137)	(23,945)	(15,081)	(545,647)	(8,111)	(720,921)
At 01.01.2020	17,759,240	10,631,985	414,518	27,382,948	10,494,423	66,683,114
Provision for the year	3,324,975	1,978,542	247,156	6,063,597	2,712,463	14,326,733
Released on disposal	(5,126)	(1,229,913)	(186,542)	(1,369,028)	(473,958)	(3,264,567)
Exchange differences	(48,156)	(4,870)	(11,896)	(448,302)	(6,798)	(520,022)
<b>At 31.12.2020</b>	<b>21,030,933</b>	<b>11,375,744</b>	<b>463,236</b>	<b>31,629,215</b>	<b>12,726,130</b>	<b>77,225,258</b>
<b>Carrying amount</b>						
At 31.12.2019	43,768,069	15,712,668	771,343	32,950,169	2,889,159	96,091,408
<b>At 31.12.2020</b>	<b>40,252,676</b>	<b>18,786,918</b>	<b>600,201</b>	<b>32,854,382</b>	<b>1,389,145</b>	<b>93,883,322</b>

## Notes to the financial statements

31 December 2020

### 14. Property, plant and equipment (continued)

#### Group (continued)

No interest has been capitalised by the group during 2020 and 2019. The group's property, plant and equipment with a carrying amount of *Eur44m* (2019 – *Eur47m*) are held as security in connection with bank borrowings.

#### *Revaluation on property, plant and equipment*

During 2019, the group performed revaluation assessments of all its land and buildings. The Romanian segment reported a revaluation gain on land and buildings of *Eur6,007,738*, which was recognised in other comprehensive income. A revaluation loss of *Eur391,381* on certain land and buildings in the Romanian segment was also recognised within administrative expenses.

#### *Impairment losses on property, plant and equipment*

The impairment losses on property, plant and equipment recognised within administrative expenses in profit or loss during 2019 amounted to *Eur20,426*. These impairment losses relate to the Romanian segment. In addition, certain property, plant and equipment in Romania which were previously impaired, were re-utilised during 2019. As a result, an impairment amount of *Eur18,120* was reversed and included within administrative expenses. During 2020, there were no impairment gains or losses on property, plant and equipment recognised in profit or loss.

#### Holding Company

	Furniture, fixtures and other equipment Eur
<b>Cost</b>	
At 01.01.2019	178,876
Additions	8,083
Disposals	(1,595)
At 01.01.2020	185,364
Additions	5,584
Disposals	(4,411)
<b>At 31.12.2020</b>	<b>186,537</b>
<b>Accumulated depreciation</b>	
At 01.01.2019	146,929
Provision for the year	14,265
Released on disposal	(1,018)
At 01.01.2020	160,176
Provision for the year	10,439
Released on disposal	(4,101)
<b>At 31.12.2020</b>	<b>166,514</b>
<b>Carrying amount</b>	
At 31.12.2019	25,188
<b>At 31.12.2020</b>	<b>20,023</b>

## Notes to the financial statements

31 December 2020

### 15. Right-of-use assets

#### Group

	Buildings Eur	Motor vehicles Eur	Total Eur
<b>Cost</b>			
At 01.01.2019	-	-	-
Adjustment on transition to IFRS 16 at 1 January 2019	81,214,480	462,575	81,677,055
Additions	16,184,661	73,685	16,258,346
Exchange differences	(713,447)	-	(713,447)
At 01.01.2020	96,685,694	536,260	97,221,954
Additions	9,547,983	160,850	9,708,833
Disposals	(306,553)	(18,488)	(325,041)
Remeasurment	341,421	-	341,421
Exchange differences	(649,524)	-	(649,524)
<b>At 31.12.2020</b>	<b>105,619,021</b>	<b>678,622</b>	<b>106,297,643</b>
<b>Amortisation</b>			
At 01.01.2019	-	-	-
Provision for the year	8,768,428	175,442	8,943,870
Exchange differences	(23,315)	-	(23,315)
At 01.01.2020	8,745,113	175,442	8,920,555
Provision for the year	9,716,656	183,797	9,900,453
Released on disposal	(306,553)	(18,488)	(325,041)
Exchange differences	(85,303)	-	(85,303)
<b>At 31.12.2020</b>	<b>18,069,913</b>	<b>340,751</b>	<b>18,410,664</b>
<b>Carrying amount</b>			
At 31.12.2019	87,940,581	360,818	88,301,399
<b>At 31.12.2020</b>	<b>87,549,108</b>	<b>337,871</b>	<b>87,886,979</b>

## Notes to the financial statements

31 December 2020

### 15. Right-of-use assets (continued)

#### Holding company

	Buildings Eur	Motor vehicles Eur	Total Eur
<b>Cost</b>			
At 01.01.2019	-	-	-
Adjustment on transition to IFRS 16 at 1 January 2019	393,021	11,709	404,730
<b>At 01.01.2020 / 31.12.2020</b>	<b>393,021</b>	<b>11,709</b>	<b>404,730</b>
<b>Amortisation</b>			
At 01.01.2019	-	-	-
Provision for the year	34,680	5,400	40,080
At 01.01.2020	34,680	5,400	40,080
Provision for the year	34,680	5,405	40,085
<b>At 31.12.2020</b>	<b>69,360</b>	<b>10,805</b>	<b>80,165</b>
<b>Carrying amount</b>			
At 31.12.2019	358,341	6,309	364,650
<b>At 31.12.2020</b>	<b>323,661</b>	<b>904</b>	<b>324,565</b>

The depreciation charge on right-of-use assets is included within cost of sales and administrative expenses.

The group and the holding company has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above table. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 24. Information about the accounting policy for the measurement and recognition of leases is disclosed in note 2.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.98%. Additions to right-of-use assets during the current reporting period have been recognised using a rate between 1.73% and 7.96%. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and holding company and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.



## Notes to the financial statements

31 December 2020

### 16. Deferred taxation

#### Group

	Opening balance Eur	Recognised in profit and loss Eur	Closing balance Eur
<b>Deferred tax assets</b>			
<b>2019</b>			
<i>Arising on:</i>			
Temporary differences on property, plant and equipment	424,012	188,207	<b>612,219</b>
Other temporary differences	178,519	77,061	<b>255,580</b>
	<u>602,531</u>	<u>265,268</u>	<u><b>867,799</b></u>
<b>2020</b>			
<i>Arising on:</i>			
Temporary differences on property, plant and equipment	612,219	347,974	<b>960,193</b>
Other temporary differences	255,580	70,441	<b>326,021</b>
	<u>867,799</u>	<u>418,415</u>	<u><b>1,286,214</b></u>
<b>Deferred tax liabilities</b>			
<b>2019</b>			
<i>Arising on:</i>			
Temporary differences on - intangible assets	1,782,538	(221,002)	<b>1,561,536</b>
<b>2020</b>			
<i>Arising on:</i>			
Temporary differences on intangible assets	1,561,536	(219,103)	<b>1,342,433</b>

Deferred tax assets have been recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. The majority of the deferred tax asset arising on unutilised tax losses reverses when dividends are declared from the subsidiaries. The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amounts to *Eur5,605,841* (2019 – *Eur4,510,219*).

## Notes to the financial statements

31 December 2020

### 16. Deferred taxation (continued)

#### Holding Company

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
<b>Deferred tax liabilities</b>			
2019			
<i>Arising on:</i>			
Temporary differences on intangible assets	1,782,538	(221,002)	1,561,536
<b>2020</b>			
<i>Arising on:</i>			
Temporary differences on intangible assets	1,561,536	(219,103)	1,342,433

### 17. Financial assets

#### (a) Investments in subsidiaries

	Holding Company Investments in subsidiaries Eur
<b>Cost</b>	
At 31.12.2019 / 31.12.2020	56,375,780

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

Name of subsidiary	Share capital and reserves 2020 Eur	Profit for the year 2020 Eur	Share capital and reserves 2019 Eur	Profit for the year 2019 Eur
	Premier Capital B.V.	40,738,194	26,046,373	34,691,820
Premier Restaurants Malta Limited	3,971,418	990,103	2,981,315	970,614

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

#### (a) Investments in subsidiaries (continued)

Details of the holding company's subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Registered address	Proportion of ownership interests and voting rights held by owners of the holding company		Holding	Principal activity
		2020 %	2019 %		
Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Indirect	Operates McDonald's restaurants in Malta
AS Premier Restaurants Eesti	Tartu mnt 13, Kesklinna district, Tallinn city, Harju county, 10145, Estonia	99.99	99.99	Indirect	Operates McDonald's restaurants in Estonia
Premier Arcades Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Indirect	Holding Company
Premier Capital B.V.	Herikerbergweg 88, Jupiter Building 2nd Floor, 1101CM, Amsterdam The Netherlands	99.99	99.99	Direct	Holding Company
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States	99.99	89.99	Indirect	Holding Company
Premier Capital Hellas S.A.	59, Al. Panagouli Street, 15343 Agia Paraskevi, Athens Greece	99.99	99.99	Indirect	Operates McDonald's restaurants in Greece
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	99.99	89.99	Indirect	Holding Company
Premier Restaurants Malta Limited	Nineteen Twenty Three, Valletta Road, Marsa, Malta	100	100	Direct	Operates McDonald's restaurants in Malta
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	99.99	89.99	Indirect	Operates McDonald's restaurants in Romania
Premier Restaurants, UAB	Tilto g. 1, Vilnius LT-01101, Lithuania	99.99	99.99	Indirect	Operates McDonald's restaurants in Lithuania
"Premier Restaurants Latvia" SIA	6, Dunties Street, Riga LV-1013, Latvia	99.99	99.99	Indirect	Operates McDonald's restaurants in Latvia

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

#### (b) Non-controlling interests

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

Name of subsidiary	Registered address	Proportion of ownership interests and voting rights held by non-controlling interests		Profit / (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
		%	%	Eur	Eur	Eur	Eur
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	0	10	(7,956)	(19,618)	-	(2,946,305)
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania	0	10	219,822	2,361,277	-	7,780,272
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States	0	10	43	993	-	(72,692)
Individually immaterial subsidiaries with non-controlling interests				-	-	-	(66,394)
<b>Total</b>				<b>211,909</b>	<b>2,342,652</b>	<b>-</b>	<b>4,694,881</b>

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

#### (b) Non-controlling interests (continued)

During 2020, the group acquired the 10% non-controlling interest for an amount of *Eur11,489,000*. Accumulated non-controlling interest and movement in reserves allocated to non-controlling interest up to acquisition date, were reversed in equity. Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests up to acquisition date is set out below. The summarised financial information below represents amounts before intragroup eliminations.

#### Premier Capital SRL

	31 May 2020 Eur	31 Dec 2019 Eur
Current assets	<u>9,396,572</u>	9,586,684
Non-current assets	<u>63,772,955</u>	63,772,955
Current liabilities	<u>(14,880,367)</u>	(15,063,017)
Equity attributable to owners of the Company	<u>61,247,039</u>	61,242,927
Non-controlling interests	<u>(2,957,879)</u>	(2,946,305)
	<b>31 May 2020 Eur</b>	<b>31 Dec 2019 Eur</b>
Revenue	-	18,550,384
Expenses	<u>(15,324)</u>	(196,181)
Profit / (loss) for the period / year	<u>(79,563)</u>	18,354,203
Profit attributable to owners of the holding company	<u>(71,607)</u>	18,373,821
Loss attributable to owners of the non-controlling interests	<u>(7,956)</u>	(19,618)
Profit / (loss) for the period / year	<u>(79,563)</u>	18,354,203
Other comprehensive (expense)/income attributable to owners of the holding company	<u>64,891</u>	(46,084)
Other comprehensive expense attributable to the non-controlling interests	<u>7,210</u>	(15,232)
Other comprehensive income / (expense) for the period / year	<u>72,101</u>	(61,316)
Total comprehensive (expense) / income attributable to owners of the holding company	<u>(6,716)</u>	18,327,737
Total comprehensive expense attributable to the non-controlling interests	<u>(746)</u>	(34,850)
Total comprehensive (expense) / income for the period / year	<u>(7,462)</u>	18,292,887
Dividends paid to non-controlling interests	-	2,207,320
Net cash inflow from operating activities	<u>47,600</u>	17,939,117
Net cash outflow from investing activities	<u>(185,707)</u>	(681,449)
Net cash outflow from financing activities	-	(17,957,337)
Net cash outflow	<u>(138,107)</u>	(699,669)

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

#### (b) Non-controlling interests (continued)

##### Premier Restaurants Romania SRL

	31 May 2020 Eur	31 Dec 2019 Eur
Current assets	<u>18,060,875</u>	<u>16,790,287</u>
Non-current assets	<u>89,453,473</u>	<u>94,055,768</u>
Current liabilities	<u>(29,394,020)</u>	<u>(30,895,191)</u>
Non-current liabilities	<u>(31,408,115)</u>	<u>(34,814,033)</u>
Equity attributable to owners of the Company	<u>46,712,213</u>	<u>37,356,559</u>
Non-controlling interests	<u>7,937,793</u>	<u>7,780,272</u>
	<b>31 May 2020 Eur</b>	<b>31 Dec 2019 Eur</b>
Revenue	<u>64,712,646</u>	<u>194,236,801</u>
Expenses	<u>(62,223,933)</u>	<u>(169,565,364)</u>
Profit for the period / year	<u>2,198,219</u>	<u>23,612,767</u>
Profit attributable to owners of the holding company	<u>1,978,397</u>	<u>21,251,490</u>
Profit attributable to owners of the non-controlling interests	<u>219,822</u>	<u>2,361,277</u>
Profit for the period / year	<u>2,198,219</u>	<u>23,612,767</u>
Other comprehensive expense attributable to owners of the holding company	<u>(560,536)</u>	<u>(5,581,231)</u>
Other comprehensive income attributable to the non-controlling interests	<u>(62,301)</u>	<u>507,385</u>
Other comprehensive expense for the period / year	<u>(622,837)</u>	<u>(5,073,846)</u>
Total comprehensive income attributable to owners of the holding company	<u>1,417,861</u>	<u>15,670,259</u>
Total comprehensive income attributable to the non-controlling interests	<u>157,521</u>	<u>2,868,662</u>
Total comprehensive income for the period / year	<u>1,575,382</u>	<u>18,538,921</u>
Net cash inflow from operating activities	<u>6,691,724</u>	<u>34,367,471</u>
Net cash outflow from investing activities	<u>(1,815,993)</u>	<u>(11,649,797)</u>
Net cash outflow from financing activities	<u>(4,695,183)</u>	<u>(26,842,927)</u>
Net cash inflow/(outflow)	<u>180,548</u>	<u>(4,125,253)</u>

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

(c) *Financial assets at fair value through other comprehensive income*

#### Group and Holding Company

	Local listed debt Eur	Local listed equities Eur	Total Eur
<b>Fair value</b>			
At 01.01.2019	727,090	129,177	856,267
Decrease in fair value	(20,240)	(15,883)	(36,123)
At 01.01.2020	706,850	113,294	820,144
Additions	-	260,100	260,100
Decrease in fair value	(10,118)	(15,225)	(25,343)
<b>At 31.12.2020</b>	<b>696,732</b>	<b>358,169</b>	<b>1,054,901</b>

The carrying amount of financial assets amounting to *Eur1,054,901* (2019 - *Eur820,144*) represents investments amounting to *Eur696,732* (2019 - *Eur706,850*) in 4% - 5.5% local listed corporate bonds and investments amounting to *Eur358,169* (2019 - *Eur113,294*) in local listed equities. Decrease in fair value recognised through other comprehensive income as at 31 December 2020 amounted to *Eur25,343* (2019 - *Eur36,123*).

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

#### (d) Loans and receivables

	Group			Holding Company			
	Loans to other related parties Eur	Loans to ultimate parent Eur	Total Eur	Loan to subsidiaries Eur	Loans to other related parties Eur	Loans to ultimate parent Eur	Total Eur
<b>Amortised cost</b>							
At 01.01.2019	4,284,793	8,532,652	12,817,445	28,388,814	2,970,297	8,532,652	39,891,763
Increase	1,070,763	380,088	1,450,851	30,627,975	128,446	379,086	31,135,507
Assignment of debts	-	-	-	(2,037,694)	-	-	(2,037,694)
Repayments	(1,811,354)	(386,146)	(2,197,500)	(16,477,705)	(2,625)	(385,144)	(16,865,474)
Conversion to dividends	-	(5,000,000)	(5,000,000)	-	-	(5,000,000)	(5,000,000)
Exchange differences	69,565	-	69,565	-	-	-	-
At 01.01.2020	3,613,767	3,526,594	7,140,361	40,501,390	3,096,118	3,526,594	47,124,102
Increase	8,523,226	4,267,404	12,790,630	19,374,208	7,440,196	4,267,404	31,081,808
Assignment of debts	(3,095,630)	3,095,630	-	(1,559,063)	(3,095,630)	3,095,630	(1,559,063)
Repayments	(1,850,885)	(250,592)	(2,101,477)	(28,081,396)	(228,743)	(250,592)	(28,560,731)
Exchange differences	(6,508)	-	(6,508)	-	-	-	-
<b>At 31.12.2020</b>	<b>7,183,970</b>	<b>10,639,036</b>	<b>17,823,006</b>	<b>30,235,139</b>	<b>7,211,941</b>	<b>10,639,036</b>	<b>48,086,116</b>
<b>Carrying amount</b>							
At 31.12.2019	3,613,767	3,526,594	7,140,361	40,501,390	3,096,118	3,526,594	47,124,102
Less: Amount expected to be settled within 12 months (shown under current assets)	(3,083,217)	(3,526,594)	(6,609,811)	(10,604,086)	(3,096,118)	(3,526,594)	(17,226,798)
Amount expected to be settled after 12 months	530,550	-	530,550	29,897,304	-	-	29,897,304
<b>At 31.12.2020</b>	<b>7,183,970</b>	<b>10,639,036</b>	<b>17,823,006</b>	<b>30,235,139</b>	<b>7,211,941</b>	<b>10,639,036</b>	<b>48,086,116</b>
Less: Amount expected to be settled within 12 months (shown under current assets)	(183,970)	(6,639,036)	(6,823,006)	(4,546,896)	(211,941)	(6,639,036)	(11,397,873)
Amount expected to be settled after 12 months	7,000,000	4,000,000	11,000,000	25,688,243	7,000,000	4,000,000	36,688,243



## Notes to the financial statements

31 December 2020

---

### 17. Financial assets (continued)

(d) *Loans and receivables (continued)*

#### **Loans to subsidiaries - Holding Company**

Loans to subsidiaries amounting to *Eur29,124,660* (2019 – *Eur35,263,724*) bear interest at the rate of 4.5% - 5% per annum whereas *Eur1,110,479* (2019 – *Eur5,237,666*) are interest free and repayable on demand. *Eur25,688,243* (2019 – *Eur29,897,304*) are not expected to be settled within 12 months from the end of the reporting period whilst *Eur4,546,896* (2019 – *Eur10,604,086*) are expected to be settled within twelve months. All the loans to subsidiaries are unsecured.

The increase of *Eur19,374,208* (2019 – *Eur30,627,975*) includes dividends receivable (net of tax) from subsidiaries of *Eur20,000,000* (2019 – *Eur24,800,000*). During 2019, dividend receivable from subsidiaries amounted to *Eur30,576,923* (note 6), out of which *Eur4,700,000* were settled during the year, *Eur19,600,000* were converted into long term loans and *Eur6,276,923* are expected to be settled within one year. During 2020, dividend receivable from subsidiaries amounted to *Eur20,000,000* (note 6), out of which *Eur2,200,000* were settled during the year and *Eur17,800,000* were converted into long term loans.

The holding company assigned debts between its subsidiaries for an amount of *Eur1,559,063* (2019 – *Eur2,037,694*), which is made up of the loan balance due to subsidiaries amounting to *Eur1,500,000* (2019 - *Eur1,950,000*) (note 22), and other amounts due from subsidiaries amounting to *Eur59,063* (2019 - *Eur87,694*).

#### **Loans to ultimate parent and other related parties**

##### **Group**

All loans to ultimate parent and other related parties are unsecured. Loans amounting to *Eur17,795,630* (2019 – *Eur7,035,447*) bear interest at the rate of 3.5% - 7% per annum, whereas receivables amounting to *Eur27,376* (2019 – *Eur104,914*) are interest free. *Eur6,823,006* (2019 – *Eur6,609,811*) of these loans are expected to be settled within 12 months from the end of the reporting period, whilst *Eur11,000,000* (2019 – *Eur530,550*) are repayable after more than 12 months.

## Notes to the financial statements

31 December 2020

### 17. Financial assets (continued)

(d) *Loans and receivables (continued)*

#### Loans to ultimate parent and other related parties (continued)

##### *Holding Company*

Loans to ultimate parent and other related parties amounting to *Eur17,795,630* (2019 – *Eur6,504,897*) bear interest at the rate of 4.5% - 7% per annum whereas *Eur55,347* (2019 – *Eur117,815*) are interest free. During 2020, the increase of *Eur11,707,600* includes loan advances to related parties of *Eur7,200,000* and to ultimate parent of *Eur4,000,000*. During 2019, the decrease of *Eur5,000,000* relates to the conversion of loans into dividend due to ultimate parent.

*Eur11,000,000* (2019 – *EurNil*) are not expected to be settled within 12 months from the end of the reporting period whilst *Eur6,850,977* (2019 – *Eur6,622,712*) are expected to be settled within 12 months. All the loans to other related parties are unsecured.

### 18. Prepayments

These relate mainly to guarantee deposits made by the holding company and the group's subsidiaries. As at the end of the reporting period, the group long term prepayments amount to *Eur1,841,969* (2019 – *Eur2,161,501*) after having recorded such prepayments within a twelve month period of *Eur27,248* (2019 – *Eur280,120*) as current assets. The holding company long term prepayments amount to *Eur513,250* (2019 – *Eur513,250*), none of which has been recorded within a twelve month period.

### 19. Inventories

	<b>2020</b>	<b>Group</b>
	<b>Eur</b>	<b>2019</b>
		<b>Eur</b>
Raw materials and consumables	<u><b>6,063,520</b></u>	<u>5,212,360</u>

The amount of inventories recognised as an expense during the year amounted to *Eur102,881,300* (2019 – *Eur110,841,557*).

## Notes to the financial statements

31 December 2020

### 20. Trade and other receivables

	<b>Group</b>		<b>Holding Company</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Eur</b>	Eur	<b>Eur</b>	Eur
Trade receivables	<b>572,231</b>	444,445	-	-
Other receivables	<b>3,612,064</b>	2,568,376	<b>900,598</b>	564,606
Amounts due from related parties	<b>58,750</b>	40,589	-	860
Amounts due from subsidiaries	-	-	<b>1,859,142</b>	977,805
Prepayments and accrued income	<b>2,106,393</b>	2,181,184	<b>196,610</b>	271,185
	<b><u>6,349,438</u></b>	<u>5,234,594</u>	<b><u>2,956,350</u></b>	<u>1,814,456</u>

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

### 21. Trade and other payables

	<b>Group</b>		<b>Holding Company</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Eur</b>	Eur	<b>Eur</b>	Eur
Trade payables	<b>14,873,932</b>	15,373,297	<b>132,077</b>	22,864
Other payables	<b>3,513,567</b>	4,225,282	<b>55,082</b>	42,713
Social security liabilities	<b>3,720,300</b>	3,180,180	<b>38,817</b>	18,517
VAT and other liabilities	<b>4,369,288</b>	2,432,085	-	-
Accruals and deferred income	<b>7,647,094</b>	9,064,518	<b>1,113,549</b>	1,214,785
	<b><u>34,124,181</u></b>	<u>34,275,362</u>	<b><u>1,339,525</u></b>	<u>1,298,879</u>

No interest is charged on trade and other payables. The carrying amount of trade and other payables is considered a reasonable approximation of fair value.

## Notes to the financial statements

31 December 2020

### 22. Other financial liabilities

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Amounts due to ultimate parent	63	2,000,000	-	2,000,000
Amounts due to other related parties	32,674	1,382,138	10,084	3,427
Amounts due to subsidiaries	-	-	4,768,443	6,076,900
Derivative financial liability held for trading	349,358	218,237	-	-
	<b>382,095</b>	<b>3,600,375</b>	<b>4,778,527</b>	<b>8,080,327</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(32,737)</b>	<b>(3,382,138)</b>	<b>(4,778,527)</b>	<b>(7,230,327)</b>
Amount due for settlement after 12 months	<b>349,358</b>	<b>218,237</b>	<b>-</b>	<b>850,000</b>

Other financial liabilities are repayable as follows:

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
On demand or within one year	32,737	3,382,138	4,778,527	7,230,327
Between two and five years	349,358	218,237	-	850,000
	<b>382,095</b>	<b>3,600,375</b>	<b>4,778,527</b>	<b>8,080,327</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(32,737)</b>	<b>(3,382,138)</b>	<b>(4,778,527)</b>	<b>(7,230,327)</b>
Amount due for settlement after 12 months	<b>349,358</b>	<b>218,237</b>	<b>-</b>	<b>850,000</b>

The balances due to ultimate parent and to other related parties by the group are unsecured, interest free and repayable on demand. As at 31 December 2019, the amount due to ultimate parent includes dividend due by the holding company for an amount of *Eur2,000,000* (note 12) whilst the amount due to other related parties includes dividend due by an indirect subsidiary to non-controlling interest for an amount of *Eur1,247,306*. As at 31 December 2020, there are no dividends due to ultimate parent and non-controlling interest (note 12).

## Notes to the financial statements

31 December 2020

### 22. Other financial liabilities (continued)

Amounts owed to subsidiaries amounting to *Eur4,350,000* (2019 - *Eur5,850,000*) bear interest at the rate of 4.5% per annum, out of which *EurNil* (2019 - *Eur850,000*) are not expected to be settled within 12 months from the end of the reporting period. The holding company assigned debts between its subsidiaries for an amount of *Eur1,559,063* (2019 - *Eur2,037,694*) (note 17d). The remaining balance of amounts owed to subsidiaries amounting to *Eur418,443* (2019 - *Eur226,900*) are interest free and repayable on demand. All the amounts owed to subsidiaries are unsecured.

Derivative financial instruments amounting to *Eur349,358* (2019 – *Eur218,237* ) comprise of interest rate swaps whereby subsidiaries of the group enter into a contract to swap the floating rate on bank borrowings (note 23) to a fixed rate. The derivative financial instrument with a value of *Eur16,383* (2019 - *Eur22,225*) represents an interest rate swap entered into on May 2017 by Premier Restaurants Romania SRL whilst the derivative financial instruments with a value of *Eur164,993* (2019 – *Eur196,012*) represents an interest rate swap entered into on December 2018 by Premier Restaurants Latvia SIA. In September 2020, Premier Restaurants Romania SRL entered into another interest rate swap covering the additional bank borrowings (note 23), which as at 31 December 2021 the value amounted to *Eur167,892*. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur349,358* (2019 – *Eur218,237* ) is classified with non-current liabilities.

The notional principal amount of the outstanding interest rate swap at the end of the reporting period for Premier Restaurants Romania SRL amounted to *Eur2,935,269* (2019 - *Eur5,383,090*) for the swap maturing on 21 January 2022 and *Eur7,624,143* for the swap maturing on 03 July 2025 whilst for Premier Restaurants Latvia SIA amounted to *Eur7,499,976* (2019 - *Eur8,749,988*) and the swap matures on 19 October 2023.

At the end of the reporting period, the fixed interest rate on interest rate swap for Premier Restaurants Romania SRL amounted to 2.55% - 2.75% (2019 – 2.75%) with the floating rate being three-month ROBOR, whilst for Premier Restaurants Latvia SIA the fixed interest rate amounts to 0.45% (2019 - 0.45%) with the floating rate being one-month EURIBOR. The interest rate swap settles on a quarterly basis for Premier Restaurants Romania SRL and on a monthly basis for Premier Restaurants Latvia SIA. The subsidiaries settle the difference between the fixed and floating interest rates on a net basis.

### 23. Bank borrowings

	2020	Group 2019
	Eur	Eur
Bank overdrafts	<b>400,000</b>	-
Bank borrowings	<b>32,218,073</b>	19,219,628
	<b>32,618,073</b>	19,219,628

## Notes to the financial statements

31 December 2020

### 23. Bank borrowings (continued)

Bank borrowings are repayable as follows:

	2020	Group 2019
	Eur	Eur
On demand or within one year	8,801,357	5,929,095
In the second year	5,476,727	5,929,123
In the third year	8,418,720	2,422,098
In the fourth year	3,059,005	4,939,312
In the fifth year	2,909,005	-
After five years	3,953,259	-
	<u>32,618,073</u>	<u>19,219,628</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(8,801,357)</u>	<u>(5,929,095)</u>
Amounts due for settlement after 12 months	<u>23,816,716</u>	<u>13,290,533</u>

During 2017, a new bank facility was granted by BRD – SG to Premier Restaurants Romania SRL. The loan is denominated in local currency RON, for an amount equivalent to *Eur5,755,084* as at 31 December 2020 (31 December 2019 - *Eur10,521,077*). The facility has a term of five years and bears an interest rate of 3-month ROBOR +2.75%. The loan is secured by a pledge over the entity's immovable and movable property. During 2020, an additional drawdown from the same facility was made for an amount equivalent to *Eur15,248,285* as at 31 December 2020. The facility has a term of seven years and bears an interest rate of 3-month ROBOR +1.4% per annum. The loan is secured by a pledge over the entity's immovable and movable property.

In December 2018, Premier Restaurants Latvia SIA secured a loan facility with Luminor Bank AS amounting to *Eur10,000,000*. The loan has a term of five years and bears an interest rate of 1-month Euribor +2.50%. The loan is secured by a pledge agreement between the bank and the Baltic subsidiaries together with pledges over the entities' immovable and movable property. As at the end of the reporting period, the balance on the loan amounted to *Eur7,864,704* (2019 - *Eur8,698,551*).

During 2020, Premier Capital Hellas S.A. availed itself from the *Covid-19 Lending Initiatives* put into place by the Greek State. It has been granted two bond loan facilities with Eurobank S.A. and the Hellenic Development Bank S.A. for the financing of working capital requirements. As at the end of the reporting period, the balance of these loan facilities amounted to *Eur2,000,000*. Both facilities have a term of five years and bear interest at 6-month Euribor +2.2%. Eighty percent of the nominal value of both facilities are guaranteed by the Greek State.

## Notes to the financial statements

31 December 2020

### 23. Bank borrowings (continued)

Another facility was granted to Premier Capital Hellas S.A. by Eurobank S.A. with a balance of *Eur1,350,000* as at the end of the reporting period. The facility has a term of five years and bears interest at 3-month Euribor + 3.85%. An overdraft facility with a limit of *Eur400,000* was also granted by Eurobank S.A. and bears interest at 8.55% over the bank's base rate, presently 0.60% per annum. The overdraft facility has been fully utilised as at the end of the reporting period. Both facility and overdraft are secured by a letter of comfort issued by the subsidiary company.

Premier Restaurants Malta Limited, a subsidiary of the group, has an unutilised overdraft facility with a limit of *Eur1,000,000* (2019 – *Eur1,000,000*) and bearing interest at 250 basis point over the bank's base rate, presently 2.35% (2019 - 2.35%) per annum.

### 24. Lease liabilities

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Lease liability (current)	<b>8,245,917</b>	7,800,421	<b>31,315</b>	34,699
Lease liability (non current)	<b>83,939,809</b>	82,863,021	<b>305,350</b>	336,665
	<b>92,185,726</b>	90,663,442	<b>336,665</b>	371,364

The group and the holding company has leases for its buildings and motor vehicles. With the exception of short-term leases and leases of low value assets, each lease is included in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of company sales) are excluded from the initial measurement of the lease liability and asset. The group and holding company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 15).

Each lease generally imposes a restriction that, unless there is a contractual right for the group and the holding company to sublet the asset to another party, the right-of-use asset can only be used by the group and the holding company. The majority of the lease agreements entitle the group's subsidiaries to have the right of first refusal when such leases come up for renewal. None of the lease agreements gives rights to the group's subsidiaries' to any purchase or escalation options, however restricting the same subsidiaries to further lease the properties to third parties. For leases over office buildings the group and the holding company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the group and the holding company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

## Notes to the financial statements

31 December 2020

### 24. Lease liabilities (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

#### Group

	Minimum lease payments due			Total Eur
	Within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	
	<b>At 31 December 2020</b>			
Lease payments	11,722,766	39,928,963	74,612,932	126,264,661
Finance charges	(3,476,849)	(11,337,836)	(19,264,250)	(34,078,935)
Net present values	<u>8,245,917</u>	<u>28,591,127</u>	<u>55,348,682</u>	<u>92,185,726</u>
<b>At 31 December 2019</b>				
Lease payments	11,248,314	39,956,904	73,717,149	124,922,367
Finance charges	(3,447,893)	(11,391,060)	(19,419,972)	(34,258,925)
Net present values	<u>7,800,421</u>	<u>28,565,844</u>	<u>54,297,177</u>	<u>90,663,442</u>

#### Holding company

	Minimum lease payments due			Total Eur
	Within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	
	<b>At 31 December 2020</b>			
Lease payments	43,826	171,552	185,848	401,226
Finance charges	(12,511)	(37,388)	(14,662)	(64,561)
Net present values	<u>31,315</u>	<u>134,164</u>	<u>171,186</u>	<u>336,665</u>
<b>At 31 December 2019</b>				
Lease payments	48,516	172,490	228,736	449,742
Finance charges	(13,817)	(42,552)	(22,009)	(78,378)
Net present values	<u>34,699</u>	<u>129,938</u>	<u>206,727</u>	<u>371,364</u>



### 24. Lease liabilities (continued)

#### Lease payments not recognised as a liability

The group and the holding company have elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group		Holding Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Short-term leases	2,832	77,468	-	-
Leases of low value assets	12,022	12,108	-	-
Covid-19 related rent concessions	(1,268,832)	-	-	-
Variable lease payments	3,471,154	4,294,639	-	-
	<u>2,217,176</u>	<u>4,384,215</u>	<u>-</u>	<u>-</u>

Variable lease payments expensed on the basis that they are not recognised as a lease liability comprise rentals of stores in each market whereby the group is committed to pay monthly payments to lessors based on the revenues of each particular store. Such variable lease payments are not permitted to be recognised as a right-of-use asset and lease liability and are therefore expensed in the period they are incurred.

During 2020, the group applied the practical expedient allowed in the amendment to IFRS 16 and accounted for Covid-19 related rent concessions as negative variable lease payments amounting to *Eur1,268,832*. The practical expedient was applied consistently to all rent concessions received as a direct impact of the Covid-19 pandemic. The group assessed the impacted lease agreements and applied the practical expedient to those agreements with similar characteristics and similar circumstances. All conditions specified within the amendment to IFRS 16 were met for the application of the practical expedient.

In 2017, the holding company entered into a lease agreement for the provision of an aircraft for a fixed number of annual flights. As per the lease arrangement, the holding company has no control over the leased aircraft and hence any lease payments do not give rise to a lease liability and an underlying right of use asset. Such lease payments are recognised within administrative expenses (refer to note 31).

At the reporting date presented, the company had committed to leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced were in relation to buildings for an amount of *Eur1,935,420* (2019 - *Eur7,322,760*).

Total cash outflow for leases for the year ended 31 December 2020 by the group was *Eur11,983,221* (2019 - *Eur10,449,646*) and for the holding company *Eur48,516* (2019 - *Eur48,516*).

## Notes to the financial statements

31 December 2020

### 25. Debt securities in issue

	<b>Group and Holding Company</b>	
	<b>2020</b>	2019
	Eur	Eur
3.75% unsecured bonds redeemable 2026	<u><b>64,445,856</b></u>	<u>64,352,198</u>

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

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the 3.75% bonds is net of direct issue costs of *Eur554,144* (2019 – *Eur647,802*) 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 *Eur65,325,000* (2019 - *Eur67,925,000*).

### 26. Share capital

	<b>2020</b>		2019	
	Authorised	Issued and called up	Authorised	Issued and called up
	Eur	Eur	Eur	Eur
400,000 ordinary shares of Eur100 each, of which 336,747 have been issued and called up	<u><b>40,000,000</b></u>	<u><b>33,674,700</b></u>	<u>40,000,000</u>	<u>33,674,700</u>

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

## Notes to the financial statements

31 December 2020

### 27. Other reserves

#### Group

	Legal reserve Eur	Revaluation reserve Eur	Other reserve Eur	Total Eur
Balance at 1 January 2019	3,879,460	44,568	(1,062,675)	2,861,353
Transfer from retained earnings	512,567	-	-	512,567
Revaluation on property, plant and equipment	-	5,406,964	-	5,406,964
Balance at 1 January 2020	4,392,027	5,451,532	(1,062,675)	8,780,884
Acquisition of non-controlling interest	-	600,774	(9,556,272)	(8,955,498)
<b>Balance at 31 December 2020</b>	<b>4,392,027</b>	<b>6,052,306</b>	<b>(10,618,947)</b>	<b>(174,614)</b>

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

The revaluation reserve was created from an increase in revaluation of property, plant and equipment. In 2016, the land which was acquired on acquisition of the Romania operating segment was revalued and resulted in an increase in revaluation of *Eur44,568*. In 2019, the group performed a revaluation assessment on the group's property, plant and equipment. This gave rise to an increase in the revaluation of land and buildings situated in Romania of *Eur6,007,738* of which *Eur5,406,964* is allocated to the group and *Eur606,774* is allocated to non-controlling interest. In 2020, the group acquired full control in the subsidiary Premier Capital Srl (note 17b) which resulted in reversals in equity of previously allocated reserves to the non-controlling interest amounting to *Eur8,955,498* – this included the reversal of *Eur606,771* allocated to revaluation reserve and movement in other reserve of *Eur9,556,269*.

The other reserve represents a cash capital contribution made by the parent company to one of its subsidiaries attributable to non-controlling interests amounting to *Eur370,825*, a loss offset reserve of *Eur212,351*, and the effect of acquisition of part of a non-controlling interests amounting to *Eur1,360,079*. In 2015, the group gained full control in the subsidiary Premier Restaurants Malta Limited resulting in a movement in the other reserve of *Eur455,878*.

#### Holding Company

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

	Other reserve Eur
Balance at 1 January 2020 / 31 December 2020	<u><u>212,351</u></u>

## Notes to the financial statements

31 December 2020

### 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 Company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Cash at bank and on hand	<u>28,741,915</u>	<u>32,497,681</u>	<u>1,600,399</u>	<u>1,161,226</u>
<b>Cash and cash equivalents in the statements of financial position</b>	<b>28,741,915</b>	32,497,681	<b>1,600,399</b>	1,161,226
Bank overdrafts (note 23)	<u>(400,000)</u>	-	-	-
<b>Cash and cash equivalents in the statements of cash flows</b>	<b><u>28,341,915</u></b>	<u>32,497,681</u>	<b><u>1,600,399</u></b>	<u>1,161,226</u>

Cash at bank earns interest at floating rates based on bank deposit rates. The interest rate on the cash at bank in 2020 was 0% - 2% (2019 – 0% - 1.75%).

### 29. Significant non-cash transactions

During 2020 there were the following significant non-cash transactions:

- The holding company received dividends from investments in subsidiaries (note 6) amounting to *Eur20,000,000*, out of which *Eur2,200,000* were settled during the year and *Eur17,800,000* were converted into long-term loans which are unsecured and bear interest at 4.5% per annum (note 17d).
- The holding company assigned debts between its subsidiaries (note 17d and note 22) for an amount of *Eur1,559,063*.
- The group availed itself of Covid-19 rent related concessions for an amount of *Eur1,268,832* (note 24).

During 2019 there were the following significant non-cash transactions:

- The holding company received dividends from investments in subsidiaries (note 6) amounting to *Eur30,576,923*, out of which *Eur4,700,000* were settled during the year, *Eur19,600,000* were converted into long-term loans which are unsecured and bear interest at 4.5% per annum, and the remaining dividends amounting to *Eur6,276,923* are unsecured and repayable on demand (note 17d).
- The holding company assigned debts between its subsidiaries (note 17d and note 22) for an amount of *Eur2,037,694*.
- As explained in notes 12 and 17d, a total of *Eur5,000,000* were converted into dividends to ultimate parent.

## Notes to the financial statements

31 December 2020

### 30. Related party disclosures

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

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

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

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

#### Group

	2020			2019		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Cost of sales:						
<i>Related party transactions with:</i>						
Related parties	<u>1,916,997</u>	<u>253,071,780</u>	<u>1</u>	<u>1,668,332</u>	<u>262,004,936</u>	<u>1</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Ultimate parent	1,000,000			360,000		
Related parties	250,375			193,479		
Key management personnel	1,530,339			1,316,571		
	<u>2,780,714</u>	<u>20,973,899</u>	<u>13</u>	<u>1,870,050</u>	<u>24,544,567</u>	<u>8</u>
Investment income:						
<i>Related party transactions with:</i>						
Ultimate parent	285,005			382,500		
Related parties	268,151			185,487		
	<u>553,156</u>	<u>733,967</u>	<u>75</u>	<u>567,987</u>	<u>902,477</u>	<u>63</u>
Finance costs:						
<i>Related party transactions with:</i>						
Related parties	<u>769,782</u>	<u>7,709,178</u>	<u>10</u>	<u>659,739</u>	<u>7,156,185</u>	<u>9</u>

## Notes to the financial statements

31 December 2020

### 30. Related party disclosures (continued)

#### Holding Company

	2020			2019		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur	%	Eur	Eur	%
Revenue:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>1,092,000</u>	<u>1,092,000</u>	<u>100</u>	<u>1,092,000</u>	<u>1,092,000</u>	<u>100</u>
Administrative expenses:						
<i>Related party transactions with:</i>						
Subsidiaries	(70,278)			(34,496)		
Ultimate parent	1,000,000			360,000		
Other related parties	51,740			65,512		
Key management personnel	<u>1,530,339</u>			<u>1,316,571</u>		
	<u>2,511,801</u>	<u>5,219,621</u>	<u>48</u>	<u>1,707,587</u>	<u>5,873,040</u>	<u>29</u>
Investment income:						
<i>Related party transactions with:</i>						
Subsidiaries	21,149,760			31,567,808		
Ultimate parent	285,005			382,500		
Other related parties	<u>255,671</u>			<u>125,821</u>		
	<u>21,690,436</u>	<u>21,720,595</u>	<u>100</u>	<u>32,076,129</u>	<u>32,106,324</u>	<u>100</u>
Finance costs:						
<i>Related party transactions with:</i>						
Subsidiaries	250,388			246,375		
Other related parties	<u>13,679</u>			<u>14,803</u>		
Subsidiaries	<u>264,067</u>	<u>2,901,895</u>	<u>9</u>	<u>261,178</u>	<u>2,871,742</u>	<u>9</u>

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

The amounts due from/to related parties at year-end are disclosed in notes 12, 17, 20 and 22. Other related party transactions are disclosed in note 27 and 29. Other than as disclosed in the respective notes, no guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

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

## Notes to the financial statements

31 December 2020

### 31. Operating leases

	Group and Holding Company	
	2020	2019
	Eur	Eur
<i>Operating leases recognised as expense for the year</i>		
Minimum lease payments under operating leases	<u>698,160</u>	<u>782,544</u>
	<u><u>698,160</u></u>	<u><u>782,544</u></u>

Expenses included in the above relate to agreements that do not meet the definition of a lease under IFRS 16.

In 2017, the holding company entered into an operating lease for the provision of an aircraft for a fixed number of annual flight hours. This is included in the minimum lease payments in the above disclosure. This lease was renewed in 2019.

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

	Group and Holding Company	
	2020	2019
	Eur	Eur
Within one year	698,160	698,160
Between two to five years	2,094,480	2,094,480
Over five years	-	698,160
	<u><u>2,792,640</u></u>	<u><u>3,490,800</u></u>

## Notes to the financial statements

31 December 2020

---

### 32. Commitments

- (i) The subsidiaries operate under franchise agreements ('the Agreement') entered into with McDonald's International Property Company or McDonald's Corporation ('the Franchisor'). The franchise agreements are for a period of 20 years which allows the respective subsidiary to use the McDonald's system in the restaurants. These franchise agreements stipulate certain financial and non-financial obligations, including but not necessarily limited to, maintaining certain financial ratios, performing marketing and other activities. The subsidiaries are obliged to pay a royalty fee based on their annual net sales of the respective company on an annual basis.
- (ii) Upon the expiration of these Agreements, the Franchisor shall have the right to purchase all of the equity interest in the Franchisee's McDonald's Restaurant business ("FMRB"). If the Franchisor elects to exercise its right to purchase FMRB, the Purchase price shall be equal to the Fair Market Value, as defined in the Agreement. In the event that the Franchisor does not exercise its right to purchase FMRB, it shall have the right to lease or sublease or purchase, as the case may be, the premises associated with the Restaurants from Franchisee at fair market rental or fair market price, as the case may be.

### 33. Contingent liabilities

Certain subsidiaries of the group, have guaranteed the amount of *Eur8,107,189* (2019 – *Eur8,107,189*) in favour of related companies in connection with bank facilities of the respective related company.

### 34. Fair value of financial assets and financial liabilities

At 31 December 2020 and 2019 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than the shares in subsidiary companies that are carried at cost, and the debt securities in issue (where fair value is disclosed in note 25), are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end.



## Notes to the financial statements

31 December 2020

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

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

	Group and Holding Company			Total Eur
	Level 1	Level 2	Level 3	
	Eur	Eur	Eur	
<b>Financial assets</b>				
Local listed debt and equity instruments				
As at 31.12.2019	820,144	-	-	820,144
<b>As at 31.12.2020</b>	<b>1,054,901</b>	-	-	<b>1,054,901</b>
<b>Financial liabilities</b>				
Derivative financial instruments				
As at 31.12.2019	-	218,237	-	218,237
<b>As at 31.12.2020</b>	-	<b>349,358</b>	-	<b>349,358</b>

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

The fair value of the derivative financial instruments is established by using a valuation technique. Valuation techniques comprise discounted cash flow analysis. The valuation technique is consistent with generally accepted economic methodologies for pricing financial instruments. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using appropriate rates at end of the reporting period.

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

## Notes to the financial statements

31 December 2020

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

#### Group

	Fair value measurement at end of reporting period using:				
	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Trade and other receivables	-	3,053,410	-	3,053,410	3,053,410
Receivables from other related parties	-	3,083,217	530,550	3,613,767	3,613,767
Receivables from ultimate parent	-	3,526,594	-	3,526,594	3,526,594
As at 31.12.2019	-	9,663,221	530,550	10,193,771	10,193,771
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Trade and other receivables	-	4,243,045	-	4,243,045	4,243,045
Receivables from other related parties	-	183,970	7,000,000	7,183,970	7,183,970
Receivables from ultimate parent	-	6,639,036	4,000,000	10,639,036	10,639,036
As at 31.12.2020	-	11,066,051	11,000,000	22,066,051	22,066,051
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Trade and other payables	-	28,663,097	-	28,663,097	28,663,097
Amounts due to other related parties	-	1,382,138	-	1,382,138	1,382,138
Amounts due to ultimate parent	-	2,000,000	-	2,000,000	2,000,000
Bank borrowings	-	19,219,628	-	19,219,628	19,219,628
Debt securities	67,925,000	-	-	67,925,000	64,352,198
As at 31.12.2019	67,925,000	51,264,863	-	119,189,863	115,617,061
Trade and other payables	-	26,034,593	-	26,034,593	26,034,593
Amounts due to other related parties	-	32,674	-	32,674	32,674
Amounts due to ultimate parent	-	63	-	63	63
Bank borrowings	-	32,218,073	-	32,218,073	32,218,073
Debt securities	65,325,000	-	-	65,325,000	64,445,856
As at 31.12.2020	65,325,000	58,285,403	-	123,610,403	122,731,259

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

## Notes to the financial statements

31 December 2020

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

#### Holding Company

	Fair value measurement at end of reporting period using:				
	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Receivables from subsidiaries	-	10,604,086	29,897,304	40,501,390	40,501,390
Receivables from ultimate parent	-	3,526,594	-	3,526,594	3,526,594
Receivables from other related parties	-	3,096,118	-	3,096,118	3,096,118
As at 31.12.2019	-	17,226,798	29,897,304	47,124,102	47,124,102
<b>Financial assets</b>					
<i>Financial assets at amortised cost</i>					
Receivables from subsidiaries	-	4,546,896	25,688,243	30,235,139	30,235,139
Receivables from ultimate parent	-	6,639,036	4,000,000	10,639,036	10,639,036
Receivables from other related parties	-	211,941	7,000,000	7,211,941	7,211,941
As at 31.12.2020	-	11,397,873	36,688,243	48,086,116	48,086,116
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Amounts due to other related parties	-	3,427	-	3,427	3,427
Amounts due to ultimate parent	-	2,000,000	-	2,000,000	2,000,000
Amounts due to subsidiaries	-	5,226,900	850,000	6,076,900	6,076,900
Debt securities	67,925,000	-	-	67,925,000	64,352,198
As at 31.12.2019	67,925,000	7,230,327	850,000	76,005,327	72,432,525
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Amounts due to other related parties	-	10,084	-	10,084	10,084
Amounts due to subsidiaries	-	4,768,443	-	4,768,443	4,768,443
Debt securities	65,325,000	-	-	65,325,000	64,445,856
As at 31.12.2020	65,325,000	4,778,527	-	70,103,527	69,224,383

## Notes to the financial statements

31 December 2020

---

### 35. Financial risk management

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

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

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

#### *Credit risk*

Financial assets which potentially subject the group to concentrations of credit risk, consist principally of trade receivables, loans and receivables, debt securities held, financial assets at fair value through other comprehensive income and cash at bank. Trade receivables and loan and receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Cash at bank are placed with reliable financial institutions with a credit rating of Aa2 – Baa1 at year end (2019 – Aa2 – Baa1).

Credit risk with respect to trade receivables is limited due to the nature of the group's operations. Loans and receivables comprise amounts due from related parties. The group's and the holding company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the group and holding company.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained. Any guarantees are disclosed in note 33.

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

## Notes to the financial statements

31 December 2020

---

### 35. Financial risk management (continued)

#### *Currency risk*

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

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

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

#### *Interest rate risk*

The group has taken out bank borrowings and debt securities to finance its operations as disclosed in notes 23 and 25. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The effective interest rate on loans and receivables, other financial liabilities, bank borrowings, debt securities in issue and cash at bank are disclosed in notes 17, 22, 23, 25 and 28 respectively.

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

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

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

## Notes to the financial statements

31 December 2020

### 35. Financial risk management (continued)

#### *Interest rate risk (continued)*

##### Sensitivity analysis

The group has used a sensitivity analysis technique that measures the change in cash flows of the group's bank borrowings, net of cash at bank and on hand, and derivative financial instruments at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below.

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

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

The sensitivity of the relevant risk variables is as follows:

	<b>Group</b>		<b>Holding Company</b>	
	<b>Profit or loss sensitivity</b>		<b>Profit or loss sensitivity</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>	<b>Eur</b>
Market interest rates	<u><b>+/- 73k</b></u>	<u>+/- 137k</u>	<u><b>+/- 8k</b></u>	<u>+/- 6k</u>

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

#### *Liquidity risk*

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

Funds are transferred within the group as and when the need arises. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period, which is adjusted monthly and monitored on a weekly basis, to ensure that any additional financing requirements are addressed in a timely manner.

## Notes to the financial statements

31 December 2020

---

### 35. Financial risk management (continued)

#### *Liquidity risk (continued)*

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

At the end of the reporting period, the group reported a net current liability position of *Eur2,564,515* (2019 – *Eur2,770,255*). In 2019, the group first time adopted IFRS16 *Leases*. The Standard required the group to recognise leases on the statement of financial position which will reflect the right-of-use asset for a period of time and the associated liability for payments. Right-of-use assets and non-current lease liabilities did not impact the net current position of the group. However, the current lease liabilities negatively impacted the net current position of the group by *Eur8,245,917* (2019 - *Eur7,800,421*). If the current lease liabilities were excluded, the group would report a net current asset position of *Eur5,681,402* (2019 - *Eur5,030,166*).

In line with the prior year, the group continued to finance a significant amount of capital expenditure from working capital. The group has invested a total of *Eur14,108,297* (2019 – *Eur20,640,276*) in property, plant and equipment.

As detailed in note 23, in 2017 the group obtained financing by means of a bank loan which at the end of the reporting period amounted to *Eur5,755,084* (2019 - *Eur10,521,077*). During 2020, the group made a drawdown from the same facility which at the end of the reporting period amounted to *Eur15,248,285*. In addition, to finance working capital requirements, Premier Capital Hellas SA availed itself of various facilities guaranteed by the Greek State; as at 31 December 2020, the balance of these facilities amounted to *Eur2,000,000*. It also financed working capital requirements through a bank loan and overdraft facilities, which as at the end of the reporting period amounted to *Eur1,350,000* and *Eur400,000* respectively.

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

## Notes to the financial statements

31 December 2020

### 35. Financial risk management (continued)

#### *Liquidity risk (continued)*

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

#### Group

	On demand or within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	Total Eur
<b>2020</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Non-interest bearing	34,156,918	-	-	34,156,918
Variable rate instruments	9,759,561	21,489,845	4,080,093	35,329,499
Fixed rate instruments	2,437,500	9,750,000	67,183,733	79,371,233
Derivative financial liabilities	-	349,358	-	349,358
	<u>46,353,979</u>	<u>31,589,203</u>	<u>71,263,826</u>	<u>149,207,008</u>
<b>2019</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Non-interest bearing	37,657,500	-	-	37,657,500
Variable rate instruments	6,643,670	13,944,183	-	20,587,853
Fixed rate instruments	2,437,500	9,750,000	69,621,233	81,808,733
Derivative financial liabilities	-	218,237	-	218,237
	<u>46,738,670</u>	<u>23,912,420</u>	<u>69,621,233</u>	<u>140,272,323</u>



## Notes to the financial statements

31 December 2020

### 35. Financial risk management (continued)

#### Liquidity risk (continued)

##### Holding Company

	On demand or within 1 year Eur	Within 2 - 5 years Eur	After 5 years Eur	Total Eur
<b>2020</b>				
<b>Non-derivative financial liabilities</b>				
Non-interest bearing	1,768,052	-	-	1,768,052
Fixed rate instruments	6,876,250	9,750,000	67,183,733	83,809,984
	<u>8,644,302</u>	<u>9,750,000</u>	<u>67,183,733</u>	<u>85,578,036</u>
<b>2019</b>				
<b>Non-derivative financial liabilities</b>				
Non-interest bearing	3,529,206	-	-	3,529,206
Fixed rate instruments	7,650,313	10,609,669	69,621,233	87,881,214
	<u>11,179,519</u>	<u>10,609,669</u>	<u>69,621,233</u>	<u>91,410,420</u>

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

##### Group

	Opening balance as at 01.01.2020 Eur	Cash flows Eur	Non-cash changes			Closing balance as at 31.12.2020 Eur
			Foreign exchange movements Eur	Assignment of debts Eur	Other changes Eur	
Debt securities in issue	64,352,198	-	-	-	93,658	64,445,856
Lease liabilities	90,663,442	(11,983,221)	(193,500)	-	13,699,005	92,185,726
Bank borrowings	19,219,628	13,872,813	(474,368)	-	-	32,618,073
Amounts due to ultimate parent	2,000,000	(1,999,937)	-	-	-	63
Amounts due to related parties	1,382,138	(1,349,464)	-	-	-	32,674
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>	<u>(11,983,221)</u>	<u>(193,500)</u>	<u>-</u>	<u>93,658</u>	<u>64,445,856</u>
	<u>90,663,442</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>13,699,005</u>	<u>92,185,726</u>
	<u>19,219,628</u>	<u>13,872,813</u>	<u>(474,368)</u>	<u>-</u>	<u>-</u>	<u>32,618,073</u>
	<u>2,000,000</u>	<u>(1,999,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>
	<u>1,382,138</u>	<u>(1,349,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,674</u>
	<u>64,352,198</u>					

## Notes to the financial statements

31 December 2020

### 35. Financial risk management (continued)

#### Liquidity risk (continued)

##### Holding Company

	Opening	Cash flows	Non-cash changes			Closing balance
	balance as at 01.01.2020		Foreign exchange movements	Assignment of debts	Other changes	as at 31.12.2020
	Eur	Eur	Eur	Eur	Eur	Eur
Debt securities in issue	64,352,198	-	-	-	93,658	64,445,856
Lease liabilities	371,364	(48,516)	-	-	13,817	336,665
Amounts due to ultimate parent	2,000,000	(2,000,000)	-	-	-	-
Amounts due to related parties	3,427	6,657	-	-	-	10,084
Amounts due to subsidiaries	6,076,900	218	-	(1,559,063)	250,388	4,768,443
	Opening	Cash flows	Non-cash changes			Closing balance
	balance as at 01.01.2019		Foreign exchange movements	Assignment of debts	Other changes	as at 31.12.2019
	Eur	Eur	Eur	Eur	Eur	Eur
Debt securities in issue	64,258,540	-	-	-	93,658	64,352,198
Lease liabilities	-	(48,516)	-	-	419,880	371,364
Amounts due to ultimate parent	505,517	(5,517)	-	-	1,500,000	2,000,000
Amounts due to related parties	10,130	(6,703)	-	-	-	3,427
Amounts due to subsidiaries	6,368,219	1,500,000	-	(2,037,694)	246,375	6,076,900

#### Derivative financial instruments

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

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

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

#### Capital risk management

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

The capital structure of the group consists of items presented within equity in the statement of financial position, bank borrowings and debt securities as disclosed in notes 23 and 25 and cash and cash equivalents as disclosed in note 28.

## Notes to the financial statements

31 December 2020

---

### 35. Financial risk management (continued)

#### *Capital risk management*

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

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

### 36. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Board.

# Independent auditor's report

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

## Report on the audit of the financial statements

### **Opinion**

We have audited the financial statements of Premier Capital p.l.c. (the “Company”) and of the Group of which it is the parent, set out on pages 17 to 97, which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the “Act”).

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2020 are disclosed in note 8 to the financial statements.

### **Key audit matters**

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

## Impairment testing of goodwill in the consolidated financial statements

### *Key audit matter*

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

On the basis of its assessment for the current year, management concluded that the carrying amount of the Group's goodwill amounting to € 25.1 million, € 16.6 million of which is allocated to the operations in Malta and € 8.5 million allocated to the operations in Romania, was not impaired.

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

### *How the key audit matter was addressed in our audit*

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 3 of the financial statements relating to goodwill including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of goodwill as at 31 December 2020 to be recoverable and that there is no impairment in the value of the goodwill.

The directors' forecasts and assumptions on which the directors' assessment of the carrying amount of goodwill was based include the effects of COVID-19.

## Revenue recognition in the consolidated financial statements

### *Key audit matter*

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

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

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

### *How the key audit matter was addressed in our audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, testing the design and operating effectiveness of the

Group's internal controls over recognition of revenues; performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying information used in the analyses are valid.

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

##### ***Key audit matter***

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

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

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

##### ***How the key audit matter was addressed in our audit***

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

We communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions. We also assessed the adequacy of the disclosures made in note 17(a) of the financial statements relating to investments including those regarding the key assumptions used in assessing its carrying amount. Those disclosures specifically explain that the directors have assessed the carrying amount of investments as at 31 December 2020 to be recoverable and that there is no impairment in the value of the investments.

The directors' forecasts and assumptions on which the directors' assessment of the carrying amount of the company's investments in subsidiaries was based include the effects of COVID-19.

##### ***Other information***

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

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

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

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

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

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

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

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

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

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

***Auditor's responsibilities for the audit of the financial statements***

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on other legal and regulatory requirements**

### ***Report on Corporate governance statement***

The Listing Rules issued by the Malta Listing Authority (the "Listing Rules") require the directors to prepare and include in their Annual Report a Corporate governance statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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

We read the 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 included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Corporate governance statement cover all risks and controls, or form



an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate governance statement set out on pages 12 to 16 has been properly prepared in accordance with the requirements of the Listing Rules.

***Other matters on which we are required to report by exception***

We also have responsibilities

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

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

***Auditor tenure***

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

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



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

Fort Business Centre, Level 2  
Triq L-Intornjatur  
Central Business District  
Birkirkara CBD 1050  
Malta

29 April 2021