

EDEN LEISURE GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31st DECEMBER 2017

Company No. C-4529

EDEN LEISURE GROUP LIMITED

CONTENTS

	PAGE
Report of the directors	1 to 4
Independent auditors' report	5 to 7
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9 to 10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 to 43

EDEN LEISURE GROUP LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31ST DECEMBER 2017

The directors of Eden Leisure Group Limited present their report, together with the audited financial statements of the Group and Company for the year ended 31st December 2017.

Principal Activities

The Group is Malta's leading operator in the Leisure and Hospitality industry. The establishments operated by the Group include Eden Cinemas, Eden SuperBowl, Cynergi Health & Fitness Club, 89.7 Bay (Radio), InterContinental Arena Conference Centre and the Eden Car Park. The Group owns two hotel properties, the largest five star property in Malta, the InterContinental Malta and the Holiday Inn Express, both of which are operated by InterContinental Hotels Group.

Review of Business and Financial Position

In 2017 the upward trend continued with Group revenues growing by 17% reaching €36.5m and EBITDA increasing by 25% to €10.4m.

The Hospitality segment achieved the lion's share of the increase benefitting from a full year of the 31 High-Line suite product which added greatly to the mix and competitiveness of InterContinental Malta. The added luxury suite complement resulted in an improved average daily rate of €158 up 16% on 2016.

The hotel's food and beverage segment continued to improve the product and mix with the addition of the Sky Beach Club on Level 19, as well as refurbishment in several restaurants and bars throughout the year resulting in F&B revenues increasing by 30% over 2016.

The Holiday Inn Express was opened a month earlier than expected. Opening its doors in September, this new hotel has performed on budget according to our expectations of a superior 3-star hotel featuring modern amenities catering for the 'millennial' market, looking for value-for-money, vibrant location with high levels of comfort and connectivity.

The Entertainment segment achieved an increase in revenues of 5% over 2016 to €8.5m. Cynergi Health and Fitness Club was the main growth area after the significant investment in the replacement of all its equipment in December 2016. Revenues and memberships grew by 45% and this trend has continued into 2018. Eden Cinemas, Eden Superbowl and Eden Carpark all experienced revenue growth in 2017. 89.7 Bay, whilst maintaining its status as the most listened to station in Malta saw a dip in advertising revenues in the second quarter of the year which reversed in the last quarter of the year, although ending the year lower than 2016.

The property rental segment closed the year lower than the previous year as the 780m² Eden Business Centre on Elia Zammit Street was vacant for much of the year.

In April 2017, the Group exercised its option to the early redemption of the €15m 6.6% 2010 Eden Finance bond and issued a replacement €40m 4% bond maturing in 2027. This was fully placed with financial institutions. The proceeds of the issue were used to redeem the outstanding bonds, settle existing bank loans of €14.9m and the balance going towards capital projects and working capital.

The Group's interest cover this year stood at 4.46 times.

The statement of comprehensive income is set out on page 8.

Investments

The brand new Holiday Inn Express opened its doors in September 2017 after an investment of €12.5m. The 118 room hotel is one of the first three star 'branded' hotels in Malta and is operated by InterContinental Hotels Group. The Holiday Inn Express is a limited amenity, high quality hotel with an emphasis on the business traveller. The concept focuses on a standardisation of design and highlights comfort in sleep, shower facilities, WIFI and a hot quality breakfast.

The new hotel uses significant synergies related to access, expertise and economies of scale through the adjacent sister property, InterContinental Malta.

EDEN LEISURE GROUP LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31ST DECEMBER 2017

Outlook

Tourism in Malta has in recent years been performing at a strong level and this trend is expected to continue in 2018. As a result of this, as well as the full year of operations at the Holiday Inn Express, we expect the hospitality segment of our business to continue growing in 2018.

The overall outlook for the Group in 2018 is positive with more hotel rooms available for sale and a buoyant tourism market. While the future of the tourism industry is positive, one should sound a cautionary note related to the volume of new hotel beds coming onto the market through new properties and extensions of existing ones, as well as the growth of the shared hospitality trend of the likes of Air BNB which continue to compete for the same tourist market as the Group's properties.

The entertainment segment will continue to strengthen and grow its share in the market whilst the property segment will see an improvement once the Eden Business Centre is rented out as expected in 2018.

In 2018 the Group will embark on an ambitious refurbishment program of over 400 rooms at the InterContinental as well as ongoing investments in various other areas to bolster efficiencies and cost advantages.

Going Concern

The directors reviewed the Group's and the Company's operational budgets and cash flow forecasts. In light of the current financial position and the existing banking facilities, the directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future.

Reserves

The movements on reserves are set out in the statement of changes in equity.

Board of Directors

In 2017 the founding shareholders embarked on a process of succession and future planning which was completed in December 2017. Ian De Cesare retained his position as Group Chairman, however retired from the executive team as from December 31st 2017.

Significant changes in the Group's corporate structure were subsequently enacted to ensure the continued operational efficiency of a large group without losing the dynamism of a traditional family business. The makeup of the Parent Company's Board was changed to include 2 external independent directors in non-executive roles. A Family Charter was enacted governing the way family members operate within the Group and a Remuneration Committee was set up composed of the two external Directors.

The operations would be performed through a revised management structure with Kevin De Cesare as Executive Chairman, Simon De Cesare as Chief Executive Officer and David Vella as Chief Financial Officer.

List of directors of Eden Leisure Group Ltd.,

Ian De Cesare (Chairman and Non-Executive Director of the Board)

Kevin De Cesare (Executive Director)

Simon De Cesare (Executive Director) resigned on 5 January 2018

David Vella (Executive Director) resigned on 5 January 2018

Kevin De Cesare Jr. (Executive Director) resigned on 5 January 2018

Paul Mercieca (Non-Executive Director) appointed on 5 January 2018

Victor Spiteri (Non-Executive Director) appointed on 5 January 2018

David Zahra (Company Secretary) appointed 29 January 2018

Audit Committee

While there is no Audit Committee officially set up for the Group, it was resolved by the Board of Directors that the Audit Committee of the publically listed Eden Finance plc would take a wider role to broadly audit the Group's activities too. This Audit Committee is made up of only external directors and has performed this dual role since 2016.

EDEN LEISURE GROUP LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31ST DECEMBER 2017

Remuneration Committee

The committee was setup on 5th January 2018 and its main function is to propose the appointment and the remuneration of senior management of the Group. The members of the committee are Paul Mercieca acting as Chairman and Victor Spiteri as member.

Principle Risks and Uncertainties

The Group's corporate and operational performance is subject to a number of external factors which are common to the hotel industry and beyond the Group's control.

The Group is exposed to various risks arising through the use of financial instruments including market risk, credit risk and liquidity risk, which result from both its operating activities and investing activities. The most significant financial risks as well as an explanation of the risk management policies employed by the Group are included in Note 30 of the financial statements.

Post balance sheet events

There were no particular important events affecting the Group which occurred since the end of the accounting period.

Corporate Social Responsibility

In 2017, the Group sponsored Din L-Art Helwa in its project of restoration of the 18th century pipe organ at Our Lady of Victory Church, in addition to our annual support to the Fondazzjoni Patrimonju Malti and its Exhibition of Cultural Heritage.

The Group employees also participate in various external CR activities such as marathons, clean ups, voluntary work, environmental friendly initiatives and sport activities. All funds raised during these activities are donated to various local charity organisations.

Two national campaigns have been run on the Group's radio station 897 Bay and media channels to raise awareness for the *EU Presidency 2017* highlighting the benefits that the EU membership is delivering to Malta and the Maltese, as well as the *Put it Away* campaign that was aimed at promoting safe driving and the dangers of using mobile phones while driving.

Environmental Responsibility

The Group is fully aware of its obligation to preserve the environment and has in place a number of policies aimed at respecting the environment and reducing waste.

During 2017 the Group generated 71,011Kwh in electricity from its own solar panel installations equating to around 2% of the Group's overall electricity requirement.

Employees

The Group puts its employees as the top most valuable resource. Every year the Group prepares an extensive training programme for its employees including brand awareness, customer service, problem handling, fire, life & safety, first aid, food handling, hospitality skills and product knowledge.

Performance appraisals are done on an annual basis, out of which personal development plans are derived, with particular emphasis on High Performing individuals. Development initiatives vary but mainly focus on aspects of driving results and leadership. One key training initiative that targets this aspect is a six months programme based on six key leadership competencies.

EDEN LEISURE GROUP LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31ST DECEMBER 2017

Directors' responsibilities

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

In preparing the financial statements, the directors should:-

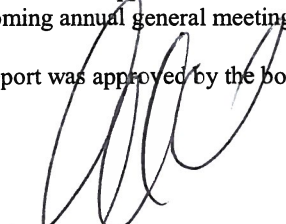
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;

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 Group and the Company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386), enacted in Malta. 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 Group and of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

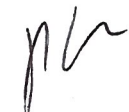
Auditors

A resolution to reappoint VCA Certified Public Accountants as auditors of the Company will be proposed at the forthcoming annual general meeting.

This report was approved by the board of directors on the 26 April 2018 and signed on its behalf by:



Mr. Ian De Cesare
Chairman of the Board



Mr. Kevin De Cesare
Managing Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EDEN LEISURE GROUP LIMITED

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386), enacted in Malta.

Report on the Audit of the Financial Statements

We have audited the financial statements of Eden Leisure Group Limited, set out on pages 8 to 43, which comprise the Group's and the Company's statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report. Our opinion on the financial statements does not cover this information, including the directors' report. In connection with our audit of the financial statements, our responsibility is to read the other information 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 Maltese Companies Act (Cap. 386). 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 Maltese Companies Act (Cap.386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EDEN LEISURE GROUP LIMITED

Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, 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 ability to continue as a going concern, disclosing, as applicable, matters related 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 has no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 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 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 audit 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EDEN LEISURE GROUP LIMITED

We communicate with the directors 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 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.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- 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 nothing to report to you in respect of these responsibilities.

This copy of the audit report has been signed by:
VINCENT CURMI
for and on behalf of
VCA CERTIFIED PUBLIC ACCOUNTANTS

26 April 2018

EDEN LEISURE GROUP LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
Revenue	4	36,517,040	31,310,120	10,215,849	7,015,005
Costs					
Direct costs		(15,876,189)	(14,287,273)	-	-
Other operating expenses		(6,280,171)	(5,641,521)	(211,056)	(280,365)
		(22,156,360)	(19,928,794)	(211,056)	(280,365)
Gross profit		14,360,680	11,381,326	10,004,793	6,734,640
Other operating income	5	537,532	669,819	537,532	669,819
Administrative expenses		(4,459,281)	(3,683,812)	(1,018,261)	(850,780)
Depreciation and amortisation		(5,089,411)	(3,673,215)	(4,929,686)	(3,510,664)
Operating profit		5,349,520	4,694,118	4,594,378	3,043,015
Share of losses in associates		(521)	(741)	-	-
Gain on financial instruments designated at fair value through profit or loss		126,873	199,084	126,873	199,084
Finance costs	6	(2,339,529)	(2,104,499)	(2,401,038)	(2,103,992)
Loss on sale of fixed assets		(20,286)	(136,057)	(20,286)	(99,520)
		(2,233,463)	(2,042,213)	(2,294,451)	(2,004,428)
Profit before taxation	7	3,116,057	2,651,905	2,299,927	1,038,587
Tax (expense)/ income	9	(259,360)	641,033	66,084	1,251,432
Profit for the year		2,856,697	3,292,938	2,366,011	2,290,019
Other comprehensive income					
Revaluation surplus net of deferred tax	24	-	14,479,276	-	15,143,081
Other comprehensive income for the year, net of tax		-	14,479,276	-	15,143,081
Total comprehensive income for the year		2,856,697	17,772,214	2,366,011	17,433,100
Attributable to:					
Equity holders of the company		2,857,872	17,772,214	2,366,011	17,433,100
Minority interest		(1,175)	-	-	-
		2,856,697	17,772,214	2,366,011	17,433,100

EDEN LEISURE GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
ASSETS					
Non-current assets					
Intangible assets	10	4,680	7,020	4,680	7,020
Property, plant and equipment	11	146,368,725	137,040,652	139,609,416	130,121,618
Property, plant and equipment under development	12	-	8,503,435	-	8,503,435
Investment property	13	12,200,000	12,200,000	12,200,000	12,200,000
Investment in subsidiaries	14	-	-	2,575,950	2,575,110
Investment in associates and joint ventures	14	719,544	720,065	575,048	575,048
Loans and receivables	15	-	730,000	-	730,000
Trade and other receivables	17	798,318	518,348	798,318	518,348
		<u>160,091,267</u>	<u>159,719,520</u>	<u>155,763,412</u>	<u>155,230,579</u>
Current assets					
Inventories	16	2,105,192	1,803,523	1,858,875	1,614,907
Trade and other receivables	17	3,133,013	3,589,632	6,875,121	4,826,920
Loans and receivables	15	430,000	-	430,000	-
Cash at bank and in hand		4,177,020	383,753	1,410,307	25,870
		<u>9,845,225</u>	<u>5,776,908</u>	<u>10,574,303</u>	<u>6,467,697</u>
Total Assets		<u><u>169,936,492</u></u>	<u><u>165,496,428</u></u>	<u><u>166,337,715</u></u>	<u><u>161,698,276</u></u>

EDEN LEISURE GROUP LIMITED

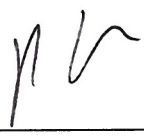
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	Notes	Group		Company	
		2017 €	2016 €	2017 €	2016 €
EQUITY AND LIABILITIES					
Equity					
Share capital	23	60,000,000	60,000,000	60,000,000	60,000,000
Revaluation reserve	24	25,234,785	26,395,578	22,267,694	23,375,173
Fair value gains reserve		489,734	489,734	489,734	489,734
Retained earnings		4,437,750	5,734,582	11,708,303	13,550,310
Total Equity attributable to holders of the company		90,162,269	92,619,894	94,465,731	97,415,217
Non-controlling interest		(815)	-	-	-
Total Equity		90,161,454	92,619,894	94,465,731	97,415,217
Non-current liabilities					
Trade and other payables	20	1,380,267	808,271	423,076	458,333
Borrowings	22	53,298,473	40,631,891	53,298,473	40,164,520
Deferred tax liabilities	18	10,829,205	10,571,986	10,177,715	10,245,940
		65,507,945	52,012,148	63,899,264	50,868,793
Current liabilities					
Financial liabilities at fair value through profit or loss	19	-	126,873	-	126,873
Trade and other payables	20	11,507,976	11,958,670	5,213,603	6,702,060
Current income tax liability	21	2,141	25,260	2,141	25,260
Borrowings	22	2,756,976	8,753,583	2,756,976	6,560,073
		14,267,093	20,864,386	7,972,720	13,414,266
Total Liabilities		79,775,038	72,876,534	71,871,984	64,283,059
Total Equity and Liabilities		169,936,492	165,496,428	166,337,715	161,698,276

These financial statements were approved and authorised for issue by the Board of Directors on the 26 April 2018 and signed on its behalf by:-


Mr. Ian De Cesare - *Chairman*


Mr. Kevin De Cesare - *Managing Director*

EDEN LEISURE GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2017

Group

	Share Capital	Revaluation Reserve	Unrealised fair value gains reserve	Retained earnings	Total	Non- Controlling Interest	Total
	€	€	€	€	€	€	€
Balance at 31st December 2015	35,000,000	37,778,326	489,734	3,379,620	76,647,680	-	76,647,680
Share issue by way of capitalisation of revaluation reserve	25,000,000	(25,000,000)	-	-	-	-	-
Profit for the year	-	-	-	3,292,938	3,292,938	-	3,292,938
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(862,024)	-	862,024	-	-	-
Dividends	-	-	-	(1,800,000)	(1,800,000)	-	(1,800,000)
Revaluation net of deferred tax	-	14,479,276	-	-	14,479,276	-	14,479,276
Balance at 31st December 2016	60,000,000	26,395,578	489,734	5,734,582	92,619,894	-	92,619,894
Profit for the year	-	-	-	2,857,872	2,857,872	(1,175)	2,856,697
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(1,160,793)	-	1,160,793	-	-	(5,315,497)
Dividends	-	-	-	(5,315,497)	(5,315,497)	-	-
Issue of share capital	-	-	-	-	-	360	360
Balance at 31st December 2017	60,000,000	25,234,785	489,734	4,437,750	90,162,269	(815)	90,161,454

Company

	Share Capital	Revaluation Reserve	Unrealised fair value gains reserve	Retained earnings	Total
	€	€	€	€	€
Balance at 31st December 2015	35,000,000	34,023,218	489,734	12,269,165	81,782,117
Share issue by way of capitalisation of revaluation reserve	25,000,000	(25,000,000)	-	-	-
Profit for the year	-	-	-	2,290,019	2,290,019
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(791,126)	-	791,126	-
Dividends	-	-	-	(1,800,000)	(1,800,000)
Revaluation net of deferred tax	-	15,143,081	-	-	15,143,081
Balance at 31st December 2016	60,000,000	23,375,173	489,734	13,550,310	97,415,217
Profit for the year	-	-	-	2,366,011	2,366,011
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(1,107,479)	-	1,107,479	-
Dividends	-	-	-	(5,315,497)	(5,315,497)
Balance at 31st December 2017	60,000,000	22,267,694	489,734	11,708,303	94,465,731

EDEN LEISURE GROUP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	Group		Company	
		2017 €	2016 €	2017 €	2016 €
Cashflow from operating activities					
Profit before taxation		3,116,057	2,651,905	2,299,927	1,038,587
Adjustments for:					
Depreciation and amortisation		5,089,411	3,673,215	4,929,686	3,510,664
Finance costs		2,167,353	2,063,090	2,228,862	2,062,583
Amortisation of finance issue costs		172,176	41,409	172,176	41,409
Loss on disposal of fixed assets		20,286	136,057	20,286	99,520
Fair value movement in financial instruments		(126,873)	(199,084)	(126,873)	(199,084)
Movement in provision for doubtful debts		(9,718)	1,735	-	-
Movement in share of assets in associates		521	741	-	-
Difference on exchange		(7,145)	-	(9,524)	-
<i>Operating profit before working capital changes</i>		<u>10,422,068</u>	<u>8,369,068</u>	<u>9,514,540</u>	<u>6,553,679</u>
Movement in stocks		(301,518)	31,207	(243,817)	(5,448)
Movement in receivables / group company balances		186,367	(434,183)	(2,328,171)	143,146
Movement in payables / advance deposits		533,089	(184,975)	(481,969)	689,544
<i>Cash generated from operations</i>		<u>10,840,006</u>	<u>7,781,117</u>	<u>6,460,583</u>	<u>7,380,921</u>
Interest paid		(2,289,322)	(2,297,223)	(2,274,491)	(2,299,564)
Income tax paid		(25,260)	-	(25,260)	-
<i>Net cash flows from operating activities</i>		<u>8,525,424</u>	<u>5,483,894</u>	<u>4,160,832</u>	<u>5,081,357</u>
Cashflow from investing activities					
Payments to acquire tangible fixed assets		(5,932,146)	(6,933,827)	(5,932,146)	(6,933,827)
Payments to acquire investments		-	-	(840)	-
Amounts received from other related undertakings		300,000	320,000	300,000	320,000
<i>Net cash flows used in investing activities</i>		<u>(5,632,146)</u>	<u>(6,613,827)</u>	<u>(5,632,986)</u>	<u>(6,613,827)</u>
Cashflow from financing activities					
Repayment of bank borrowings		(15,565,441)	(4,089,480)	(15,133,201)	(3,986,769)
New bank borrowings		-	5,320,281	-	5,320,281
Cash issue of shares		360	-	-	-
Debt securities in issue		25,544,742	-	25,688,069	-
Dividends		(6,315,497)	(800,000)	(6,315,497)	(800,000)
Receipts from distributor agreement		703,918	500,000	-	-
Movement in other related party balances		13,409	296,634	13,409	296,634
<i>Net cash flows from financing activities</i>		<u>4,381,491</u>	<u>1,227,435</u>	<u>4,252,780</u>	<u>830,146</u>
Net movement in cash and cash equivalents		<u>7,274,769</u>	<u>97,502</u>	<u>2,780,626</u>	<u>(702,324)</u>
Cash and cash equivalents at the beginning of the year		(3,097,749)	(3,195,251)	(1,370,319)	(667,995)
Cash and cash equivalents at the end of the year	26	<u>4,177,020</u>	<u>(3,097,749)</u>	<u>1,410,307</u>	<u>(1,370,319)</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements of the Company and the consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act, 1995.

These financial statements have been prepared under the historical cost convention as modified by the fair valuation of the non-current asset categories of property, plant and equipment and investment property.

The Entertainment segment achieved an increase in revenues of 5% over 2016 to €8.5m Cynergi Health and Fitness Club was the main growth area after the significant investment in the replacement of all its equipment in December 2016. Eden Cinemas, Eden Superbowl and Eden Carpark all experienced revenue growth in 2017. On the other hand advertising revenues and property rentals registered a minor slowdown.

The hospitality operation remained the largest contributor of the group business contributing 75% of EBITDA for the year. The hospitality operations continued to show growth during 2017 with healthy levels of occupancy and an improved average daily rate. The EBITDA for the hospitality operation was up 42% on 2016 figures.

Tourism in Malta has in recent years been performing at a strong level and this trend is expected to continue in 2018. As a result of this, as well as the full year of operations at the Holiday Inn Express, we expect the hospitality segment of our business to continue growing in 2018.

The overall outlook for the Group in 2018 is positive with more hotel rooms available for sale and a buoyant tourism market. While the future of the tourism industry is positive, one should sound a cautionary note related to the volume of new hotel beds coming onto the market through new properties and extensions of existing ones, as well as the growth of the shared hospitality trend of the likes of Air BNB which continue to compete for the same tourist market as the Group's properties.

The entertainment segment will continue to strengthen and grow its share in the market whilst the property segment will see an improvement once the Eden Business Centre is rented out as expected in 2018.

In April 2017, the Group exercised its option to the early redemption of the €15m 6.6% 2010 Eden Finance bond and issued a replacement €40m 4% bond maturing in 2027. This was fully placed with financial institutions. The proceeds of the issue were used to redeem the outstanding bonds, settle existing bank loans of €14.9m and the balance going towards capital projects and working capital.

The directors are satisfied that the Group has sufficient funds in order to meet its commitments in the foreseeable future and it is therefore appropriate to continue to adopt the going concern assumption in the preparation of these financial statements. These financial statements do not include any adjustments should the above strategies not materialise.

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1st January 2018. The Group has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

IFRS 9 “Financial Instruments” (issued in July 2014 and effective date is 1 January 2018).

Key features of the new standard are:

Financial assets are required to be classified into three measurements categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit and loss (FVPL).

Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt measurement is held to collect, it may be carried at amortised cost if it also meets the SPI requirement. Debt instrument that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrecoverable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS39 for classification and measurement of financial liabilities were carried forward and changed to IFRS9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Were there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirement of IFRS 9 and continuing to apply IAS39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the new standard on its financial statements.

2. Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below: -

Basis of consolidation

(i) Subsidiaries

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

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Principal accounting policies (continued)

Basis of consolidation (continued)

The Group financial statements include the financial statements of the parent Company and all its subsidiaries. The results of the subsidiaries acquired or disposed of during the period are included in the Group statement of profit or loss and other comprehensive income from the date of their acquisition or up to date of their disposal.

In the Company financial statements investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

(ii) Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's share of profits of associates is included in the Group statement of profit or loss and other comprehensive income, whilst the Group's share of post acquisition reserves is added to the cost of the investments in the Group statement of financial position. The Group's share of losses in associates is only included in the Group's financial statements up to the par value of the shares held by the investing Company in the associates. The financial results of associates are taken from the latest audited financial statements.

In the Company financial statements investments in associates are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

(iii) Joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's share of profits of the joint ventures is included in the Group statement of profit or loss and other comprehensive income, whilst the Group's share of post acquisition reserves is added to the cost of the investments in the Group statement of financial position. The Group's share of losses in jointly controlled entities is only included in the Group's financial statements up to the par value of the shares held by the investing Company in the jointly controlled entity. The financial results of jointly controlled entities are taken from the latest audited financial statements.

In the Company financial statements investments in associates are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

(iv) Eliminations on consolidation

Intra-group balances and transactions, and any unrealised gains arising from the intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise, against the investment in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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. 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 their 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.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Basis of consolidation (continued)

Property, plant & equipment

Property, plant and equipment are initially measured at cost and subsequently, property is stated at market value, based on valuations by external independent valuers, less depreciation. Revaluations are carried out at regular intervals, but at least every five years, unless the directors consider it appropriate to have an earlier revaluation, such that the carrying amount of property does not defer materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Plant and equipment are stated at historical cost less depreciation. Assets in the course of construction for production, supply or administrative purposes are classified as property, plant and equipment under development and are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Costs include expenditure that is directly attributable to the acquisition of the items. 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.

Any revaluation increase arising on the revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of that asset. Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings. When the asset is derecognised, the attributable revaluation remaining in the revaluation surplus is transferred to retained earnings.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

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

Land	0%
Freehold buildings	2%
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Computer equipment	25%
Equipment	7%-20%
Other fixed assets	7%

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

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises freehold and leasehold land and buildings, and land and buildings held under long term operating leases.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise. Fair value is based on active market prices, adjusted, if necessary, for difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discontinued cash flow projections.

These valuations are reviewed periodically by the Group directors.

The fair value of investment property reflects, among other factors, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only 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. All other repairs and maintenance costs are charged to the profit loss account during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and is stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

An item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

Financial instruments

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

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Group companies have a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

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

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

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

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(i) Investments

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

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

(ii) Derivative financial instruments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated and effective hedging instruments. During the year under review and during the prior year, the company 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.

(iii) Trade and other receivables

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

(iv) Trade and other payables

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

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method, unless the effect of discounting is immaterial.

Borrowings are classified as current liabilities unless the companies within the Group have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

(vi) Ordinary shares issued by the Company

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Provisions

Provisions are recognized when the Group companies have 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 balance sheet date. 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 recognized for future operating losses.

Impairment

All assets are tested for impairment except for investment property measured at fair value. At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

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

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated. Impairment losses are recognized immediately in the income statement, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

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

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

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

Revenue recognition

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

- Sales from operations of the hotel and entertainment establishments are recognised upon the performance of services and supply of goods, net of sales taxes and discounts.
- Rental income relating to operating leases is recognised as it accrues, unless collectability is in doubt.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

Operating leases

(i) Where a Group company is a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

(ii) Where a Group company is a lessor

Assets leased out under operating leases are included in investment property in the balance sheet. These assets are fair valued annually on a basis consistent with similarly owned investment property.

Taxation

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

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.

Under this method the Group companies are required to make a provision for deferred income taxes on the revaluation of certain fixed assets. Such deferred tax is charged or credited directly to the revaluation reserve. Deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through the income statement.

Under this method the Group companies are required to make a provision for deferred income taxes of the fair valuation of investment property.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for unused tax losses and unused tax credits carried forward, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised to the period when the asset is realised or the liability is settled based on the tax rates that have been enacted by the balance sheet date. Deferred tax assets and liabilities are offset when the Group companies have a legally enforceable right to settle its current tax assets and liabilities on a net basis.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Currency translation

The financial statements of the Group and of the Company are presented in their functional currency, the Euro, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Segmental reporting is restricted when it is considered arbitrary or difficult to segment an entities assets and liabilities.

Related parties

Related parties are those persons or bodies of persons having relationships with the Company as defined in International Accounting Standard No. 24.

Dividends

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

Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Such grants are presented as part of profit or loss.

Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Group's directors, except as follows, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

Fair value of property, plant and equipment

Determining the fair value of property, plant and equipment requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the Group 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. The carrying amount of property, plant and equipment of the Group at the end of the reporting period was €146,368,725.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Business segments (continued)

For management purposes the Group is organised in two operating divisions – hospitality, entertainment and other related operations. These divisions are the basis of which the Group reports its primary segment information.

2017	Entertainment & other related operations €	Hospitality operations €	Total €
Revenue	8,868,775	28,030,228	36,899,003
Less inter-segmental sales	(371,903)	(10,060)	(381,963)
	<u>8,496,872</u>	<u>28,020,168</u>	<u>36,517,040</u>
Segment results from operations	<u>2,580,897</u>	<u>7,858,034</u>	<u>10,438,931</u>
Depreciation and amortisation	(1,596,873)	(3,492,538)	(5,089,411)
Share of losses of associates			(521)
Gain on financial instruments designated at fair value through profit or loss			126,873
Finance costs			(2,339,529)
Loss on sale of fixed assets			(20,286)
Profit before taxation			<u>3,116,057</u>
Tax expense			(259,360)
Profit for the year			<u>2,856,697</u>
Total comprehensive income for the year			<u>2,856,697</u>
Segment assets	49,700,716	120,235,776	169,936,492
Total assets			<u>169,936,492</u>
Segment liabilities	5,541,556	7,346,682	12,888,238
Unallocated liabilities			66,886,800
Total liabilities			<u>79,775,038</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Business segments (continued)

2016	Entertainment & other related operations €	Hospitality operations €	Total €
Revenue	8,502,337	23,206,401	31,708,738
Less inter-segmental sales	(389,318)	(9,300)	(398,618)
	<u>8,113,019</u>	<u>23,197,101</u>	<u>31,310,120</u>
Segment results from operations	2,834,729	5,532,604	8,367,333
Depreciation and amortisation	(975,712)	(2,697,503)	(3,673,215)
Share of losses of associates			(741)
Gain on financial instruments designated at fair value through profit or loss			199,084
Finance costs			(2,104,499)
Loss on sale of fixed assets			(136,057)
Profit before taxation			2,651,905
Tax income			641,033
Profit for the year			3,292,938
Other comprehensive income			
Revaluation surplus net of deferred tax			14,479,276
Other comprehensive income for the year, net of tax			14,479,276
Total comprehensive income for the year			17,772,214
Segment assets	49,724,154	115,772,274	165,496,428
Total assets			165,496,428
Segment liabilities	6,790,185	9,458,258	16,248,443
Unallocated liabilities			56,628,091
Total liabilities			72,876,534

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Other operating income	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Rental income	537,532	669,819	537,532	669,819
<hr/>				
6. Finance costs	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Interest on bank overdraft and borrowings	822,400	1,343,434	807,569	1,286,991
Interest on other loans	1,451,259	931,672	1,527,599	987,608
Borrowing transaction costs	172,176	41,409	172,176	41,409
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts included in the cost of qualifying assets	2,445,835 (106,306)	2,316,515 (212,016)	2,507,344 (106,306)	2,316,008 (212,016)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,339,529	2,104,499	2,401,038	2,103,992
<hr/>				
7. Profit before taxation	Group		Company	
	2017 €	2016 €	2017 €	2016 €
This is stated after charging:				
Directors' remuneration	562,364	535,469	552,472	527,452
Bad debts and provision for doubtful debts	-	1,735	-	-
Difference on exchange	-	144	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
and after crediting:				
Difference on exchange	7,145	-	9,524	-
Provision for doubtful debts	9,718	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Profit before tax for the Group is also stated after charging the following fees in relation to services provided by the external auditors of the Group.

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Total remuneration payable to the company's auditors for:				
- the audit of the Group's financial statements	32,786	29,056	8,153	8,153
- tax compliance and other non-assurance services	5,400	5,400	2,250	2,250
	<hr/>	<hr/>	<hr/>	<hr/>
	38,186	34,456	10,403	10,403
	<hr/>	<hr/>	<hr/>	<hr/>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Staff costs and employee information

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Wages and salaries	9,332,612	8,853,398	2,301,928	2,114,467
Taxes and other benefits	1,212,251	1,186,566	121,485	113,872
	<u>10,544,863</u>	<u>10,039,964</u>	<u>2,423,413</u>	<u>2,228,339</u>
Recharged to subsidiaries	-	-	(1,924,395)	(1,751,258)
	<u>10,544,863</u>	<u>10,039,964</u>	<u>499,018</u>	<u>477,081</u>

The average number of persons employed during the year, including executive directors, was made up as follows:

	Group		Company	
	2017	2016	2017	2016
	Number	Number	Number	Number
Administrative	55	55	17	17
Operational	454	425	86	78
	<u>509</u>	<u>480</u>	<u>103</u>	<u>95</u>

9. Tax expense/(income)

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Group undertakings:				
Deferred tax charge/(credit)	257,219	(666,293)	(68,225)	(1,276,692)
Tax charge	2,141	25,260	2,141	25,260
	<u>259,360</u>	<u>(641,033)</u>	<u>(66,084)</u>	<u>(1,251,432)</u>
Associated undertakings:				
Tax charge	-	-	-	-
	<u>259,360</u>	<u>(641,033)</u>	<u>(66,084)</u>	<u>(1,251,432)</u>

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
The tax expense and the tax charge using the statutory income tax rate of 35% are reconciled as follows				
Profit before taxation	3,116,057	2,651,905	2,299,927	1,038,587
Tax charge at 35%	<u>1,090,621</u>	<u>928,166</u>	<u>804,974</u>	<u>363,505</u>
Depreciation charges not deductible for tax purposes by way of capital allowances	133,945	176,013	89,327	131,395
Expenditure disallowed for tax purposes	12,003	3,261	11,825	2,838
Tax effect of non-taxable income	(44,406)	(69,679)	(44,406)	(69,679)
Unutilized tax credits carried forward	(867,658)	(1,456,363)	(867,658)	(1,456,363)
Deferred tax asset not recognised in prior year	(4,096)	(153,652)	(4,096)	(154,349)
Income taxed at a reduced tax rate	(2,855)	(33,680)	(2,855)	(33,680)
Additional allowable deductions	(58,194)	(35,099)	(53,195)	(35,099)
Tax expense/(income)	<u>259,360</u>	<u>(641,033)</u>	<u>(66,084)</u>	<u>(1,251,432)</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible assets

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Licences				
Cost				
As at 1 st January	23,400	23,400	23,400	23,400
Movement	-	-	-	-
As at 31 st December	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>
Amortisation				
As at 1 st January	16,380	14,040	16,380	14,040
Provision for the year	2,340	2,340	2,340	2,340
As at 31 st December	<u>18,720</u>	<u>16,380</u>	<u>18,720</u>	<u>16,380</u>
Carrying amount as at 31st December	<u>4,680</u>	<u>7,020</u>	<u>4,680</u>	<u>7,020</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Property, plant and equipment Group

	Land and Buildings €	Furniture Fixtures & Fittings €	Equipment €	Computer Equipment €	Motor Vehicles €	Other Fixed Assets €	Total €
Cost/Valuation							
As at 1 st January 2016	102,170,843	13,931,263	12,142,718	1,742,378	323,381	12,645,547	142,956,130
Additions	29,168	394,216	1,285,170	103,535	-	8,625	1,820,714
Reallocation from property, plant and equipment under development	4,202,795	2,281,253	2,106,372	-	-	356,655	8,947,075
Revaluation	14,938,450	-	-	-	-	-	14,938,450
Disposals	-	(483,610)	(645,749)	(14,264)	-	(986)	(1,144,609)
As at 1 st January 2017	121,341,256	16,123,122	14,888,511	1,831,649	323,381	13,009,841	167,517,760
Additions	337,115	804,863	542,083	182,008	20,885	32,608	1,919,562
Reallocation from property, plant and equipment under development	8,961,968	1,909,956	1,334,789	1,522	-	307,633	12,515,868
Disposals	-	(132,482)	(35,760)	(76,453)	(22,991)	-	(267,686)
As at 31 st December 2017	130,640,339	18,705,459	16,729,623	1,938,726	321,275	13,350,082	181,685,504
Depreciation							
As at 1 st January 2016	15,357	9,741,581	9,935,989	1,494,869	323,381	7,761,475	29,272,652
Depreciation charge	1,462,986	758,760	745,399	114,494	-	589,236	3,670,875
Eliminated on disposals	-	(405,023)	(588,641)	(14,263)	-	(625)	(1,008,552)
Revaluation	(1,457,867)	-	-	-	-	-	(1,457,867)
As at 1 st January 2017	20,476	10,095,318	10,092,747	1,595,100	323,381	8,350,086	30,477,108
Depreciation charge	1,931,786	1,258,370	1,098,182	157,415	4,177	637,141	5,087,071
Eliminated on disposals	-	(118,982)	(31,935)	(73,492)	(22,991)	-	(247,400)
As at 31 st December 2017	1,952,262	11,234,706	11,158,994	1,679,023	304,567	8,987,227	35,316,779
Net Book Value							
As at 31 st December 2017	128,688,077	7,470,753	5,570,629	259,703	16,708	4,362,855	146,368,725
As at 1 st January 2017	121,320,780	6,027,804	4,795,764	236,549	-	4,659,755	137,040,652

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Property, plant and equipment (continued)

Company	Land and Buildings €	Furniture Fixtures & Fittings €	Equipment €	Computer Equipment €	Motor Vehicles €	Other Fixed Assets €	Total €
Cost/Valuation							
As at 1 st January 2016	94,466,451	12,945,860	11,700,474	1,667,399	316,568	12,641,073	133,737,825
Additions	29,168	394,216	1,285,170	103,535	-	8,625	1,820,714
Reallocation from property, plant and equipment under development	4,202,795	2,281,253	2,106,372	-	-	356,655	8,947,075
Revaluation	15,817,654	-	-	-	-	-	15,817,654
Disposals	-	(355,460)	(540,514)	-	-	(986)	(896,960)
As at 1 st January 2017	<u>114,516,068</u>	<u>15,265,869</u>	<u>14,551,502</u>	<u>1,770,934</u>	<u>316,568</u>	<u>13,005,367</u>	<u>159,426,308</u>
Additions	337,115	804,863	542,083	182,008	20,885	32,608	1,919,562
Reallocation from property, plant and equipment under development	8,961,968	1,909,956	1,334,789	1,522	-	307,633	12,515,868
Disposals	-	(132,482)	(35,760)	(76,453)	(22,991)	-	(267,686)
As at 31 st December 2017	<u>123,815,151</u>	<u>17,848,206</u>	<u>16,392,614</u>	<u>1,878,011</u>	<u>314,462</u>	<u>13,345,608</u>	<u>173,594,052</u>
Depreciation							
As at 1 st January 2016	-	8,869,124	9,560,646	1,419,730	316,568	7,758,126	27,924,194
Depreciation charge	1,330,388	736,953	737,372	114,494	-	589,117	3,508,324
Eliminated on disposals	-	(302,584)	(494,231)	-	-	(625)	(797,440)
Revaluation	(1,330,388)	-	-	-	-	-	(1,330,388)
As at 1 st January 2017	<u>-</u>	<u>9,303,493</u>	<u>9,803,787</u>	<u>1,534,224</u>	<u>316,568</u>	<u>8,346,618</u>	<u>29,304,690</u>
Depreciation charge	1,799,188	1,236,563	1,092,862	157,415	4,177	637,141	4,927,346
Eliminated on disposals	-	(118,982)	(31,935)	(73,492)	(22,991)	-	(247,400)
As at 31 st December 2017	<u>1,799,188</u>	<u>10,421,074</u>	<u>10,864,714</u>	<u>1,618,147</u>	<u>297,754</u>	<u>8,983,759</u>	<u>33,984,636</u>
Net Book Value							
As at 31 st December 2017	<u>122,015,963</u>	<u>7,427,132</u>	<u>5,527,900</u>	<u>259,864</u>	<u>16,708</u>	<u>4,361,849</u>	<u>139,609,416</u>
As at 1 st January 2017	<u>114,516,068</u>	<u>5,962,376</u>	<u>4,747,715</u>	<u>236,710</u>	<u>-</u>	<u>4,658,749</u>	<u>130,121,618</u>

Fair value of land and buildings

The Company's property (land and buildings together with all other integral assets excluding the property still under construction) was revalued on 26 November 2012 by independent professional qualified valuers. The land and buildings together with all other integral assets has been valued by Bezzina & Cole (a firm of architects and civil engineers). This valuation was based on future discounted cashflows prepared by management of the Company.

As at 31 December 2015 and 31 December 2016 the directors updated the discounted cashflows and approved a revaluation on the Company's property based on future discounted cashflows. The book value of the property has been adjusted to the revaluation. The resultant surplus net of applicable deferred income taxes, has been credited to the revaluation reserve in the shareholders' equity (refer to note 24).

As at 31 December 2017 the directors updated the discounted cashflows and the resultant fair value did not defer materially from the book values of the property.

The property fair value measurement at 31 December 2016 in relation to the Company's property (land and buildings together with all other integral assets excluding the property still under construction) uses Level 3 of the fair value valuation hierarchy.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Property, plant and equipment (continued)

Valuation processes

The valuation of the property is performed regularly on the basis of discounted forecasts. At the end of every reporting period, the directors assess whether any significant changes in actual circumstances, projected and registered income streams, results and developments have been experienced since the last valuation.

When an external valuation report is prepared, the information provided to the valuers, and the assumptions and the valuation models used by the valuers, are reviewed by the directors. This includes a review of the fair value movement over the period. The directors consider whether the valuation report is appropriate in order to revalue the Company's property.

Valuation techniques

The valuation techniques used by Bezzina & Cole in 2012 and by the directors in 2016 use significant unobservable inputs and are categorised within level 3 of the fair value valuation hierarchy.

The directors assessed and approved the valuation using future discounted cash flows ("DCF") that are expected to be derived from operations of the property excluding the property that is still under construction.

The determination of the fair value of €121 million using future discounted cash flows ("DCF") projections is based on significant unobservable inputs. These inputs include:

Earnings before interest, tax, depreciation and amortization (EBITDA)	Based on projected income streams taking into consideration historical results and market expectations;
Growth rate	Based on management's estimated average growth of the company's EBITDA, mainly determined by projected growth in income streams;
Discount rate	Reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available to a Reasonably Efficient Operator (REO) for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

The significant unobservable inputs applied in the property valuation are the following:

- Growth rate ranging between 1% and 62% reflecting principally the estimated projected growth of the Company's income streams, given that the principal property will be available for uninterrupted business with an additional 30 luxury HiLine Suites which are available for use from 1 January 2017;
- A discount rate of 7.32% applied in estimating the net present value of the projected future cash flows.
- An increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

On 31 December 2016, the directors approved revaluations of the property owned by the Company and classified under land and buildings to € 121 million.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment under development

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
As at 1 st January	8,503,435	12,147,280	8,503,435	12,147,280
Additions	4,012,433	5,325,129	4,012,433	5,325,129
Transfer to property, plant and equipment and investment property	(12,515,868)	(8,968,974)	(12,515,868)	(8,968,974)
As at 31 st December	-	8,503,435	-	8,503,435

13. Investment property

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
As at 1 st January	12,200,000	12,200,000	12,200,000	12,200,000
Additions	-	-	-	-
As at 31 st December	12,200,000	12,200,000	12,200,000	12,200,000

Investment property is valued annually on 31 December at fair value comprising open market value approved by the Directors on the basis of an independent professional valuation prepared by the Group's architect.

14. Financial assets

Company	Shares in subsidiaries €	Shares in associates and joint ventures €	Total €
At 1 st January 2016	2,575,110	575,048	3,150,158
Additions	-	-	-
Impairment	-	-	-
At 31 st December 2016	2,575,110	575,048	3,150,158
Additions	840	-	840
Impairment	-	-	-
At 31 st December 2017	2,575,950	575,048	3,150,998

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. Financial assets (continued)

Shares in group and associated undertakings represent the following investments:

Group	Registered Address	Principal Activity	2017 % holding	2016 % holding
Eden Finance p.l.c.	Eden Place St. Augustine Street St. George's Bay	Finance company	99.99	99.99
Eden Entertainment Limited	Eden Place St. Augustine Street St. George's Bay	Entertainment operating company	99.99	99.99
Eden Super Bowl Limited	Eden Place St. Augustine Street St. George's Bay	Entertainment operating company	99.99	99.99
Eden Hospitality Limited	Eden Place St. Augustine Street St. George's Bay	Hotel management company	99.99	99.99
Eden Esports Limited	Eden Place St. Augustine Street St. George's Bay	Entertainment operating company	70	-
Associates				
Axis Limited	St. George's Road, St. Julians	Management property company	50.00	50.00
Sunny Resorts Limited	Eden Place St. Augustine Street St. George's Bay	Management property company	33.33	33.33
CLL Limited	5, Birbal Street, Balzan	In Liquidation	25.00	25.00

Summarised financial information in respect of the Group's associates is set out below:

	2017 €	Group 2016 €
Opening net book value	720,065	720,806
Additions	-	-
Impairment	-	-
Share of losses of Associated undertakings (after tax)	(521)	(741)
Closing net book value	<u>719,544</u>	<u>720,065</u>
Net assets	2,158,653	2,160,217
Group share of net assets	<u>719,544</u>	<u>720,065</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Loans and receivables

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Non-current				
Amounts owed by other related undertakings (i)	-	730,000	-	730,000
Current				
Amounts owed by other related undertakings (i)	430,000	-	430,000	-

(i) This represents an interest free and unsecured loan granted to a related undertaking. This loan is repayable in full and on demand by giving three months notice at the discretion of the Company with the final and full repayment to be not later than the 31st December 2018.

16. Inventories

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Food, beverage and consumables	234,439	176,738	-	-
Crockery and linen	1,692,418	1,548,851	1,680,540	1,536,973
Other stocks	178,335	77,934	178,335	77,934
	<u>2,105,192</u>	<u>1,803,523</u>	<u>1,858,875</u>	<u>1,614,907</u>

17. Trade and other receivables

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Non-current				
Amounts owed by related/group undertakings (i)	798,318	518,348	798,318	518,348
Current				
Trade receivables	1,866,956	2,196,481	191,237	144,827
Amounts owed by related/group undertakings (i)	648,264	325,300	6,425,345	3,855,665
Other receivables	221,991	779,410	79,171	667,487
Prepayments and accrued income	395,802	288,441	179,368	158,941
	<u>3,133,013</u>	<u>3,589,632</u>	<u>6,875,121</u>	<u>4,826,920</u>

(i) Amounts due by related and group undertakings are unsecured, interest free and are repayable on demand.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% / 10% (2016 – 35% / 10%).

The movement in the deferred tax account is as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
At the beginning of the year	(10,571,986)	(9,321,238)	(10,245,940)	(9,517,671)
Movement in absorbed tax losses and capital allowances	(1,372,057)	(832,367)	(1,046,433)	(210,578)
Movement in unutilized tax credits	867,658	1,456,363	867,658	1,456,363
Movement in effect of provisions	(8,782)	(9,358)	-	-
Movement in the excess of capital allowances over depreciation	255,962	51,655	247,000	30,907
Effect due to revaluation of assets	-	(1,917,041)	-	(2,004,961)
At the end of the year	(10,829,205)	(10,571,986)	(10,177,715)	(10,245,940)
Effect recognised in:				
Deferred tax movements recognised in profit or loss (note 9)	(257,219)	666,293	68,225	1,276,692
Deferred tax movements recognised in equity	-	(1,917,041)	-	(2,004,961)
	(257,219)	(1,250,748)	68,225	(728,269)

The following amounts are shown in the balance sheet:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
<i>Deferred tax assets</i>				
Unabsorbed tax losses and capital allowances	1,590,670	2,962,727	1,534,920	2,581,353
Unutilized tax credits	2,709,635	1,841,977	2,709,635	1,841,977
Effect of provisions	11,367	20,149	-	-
	4,311,672	4,824,853	4,244,555	4,423,330
<i>Deferred tax liabilities</i>				
Effect of excess of capital allowances over depreciation	(1,793,240)	(2,049,202)	(1,750,663)	(1,997,663)
Effect due to revaluation of assets	(13,347,637)	(13,347,637)	(12,671,607)	(12,671,607)
	(15,140,877)	(15,396,839)	(14,422,270)	(14,669,270)
	(10,829,205)	(10,571,986)	(10,177,715)	(10,245,940)

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Financial liabilities at fair value through profit or loss

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Fair value				
Financial liabilities classified as held for trading				
- Derivative financial instruments	-	126,873	-	126,873

Derivative financial instruments comprise interest-rate swaps and are classified with financial assets or financial liabilities classified as held for trading.

The notional principal amounts of the outstanding interest rate swap at the end of the reporting period amounted to nil (2016: €5,400,000).

As at December 2016, the fixed interest rates on interest rate swap was 3.11% per annum. The floating rate is the three-month EURIBOR. During 2017 the interest-rate swap agreement expired and therefore no asset/liability exists as at the end of the reporting period.

20. Trade and other payables

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Falling due within one year				
Trade payables	4,240,232	4,253,887	78,640	148,123
Capital payables	1,078,658	566,624	1,078,658	566,624
Amounts owed to related/group undertakings (i)	12,576	1,217,726	2,217,335	5,049,852
Accruals	3,144,306	2,652,820	1,313,189	833,654
Advanced deposits and deferred income	2,027,505	2,088,727	79,850	76,695
Other payables	1,004,699	1,178,886	445,931	27,112
	11,507,976	11,958,670	5,213,603	6,702,060
Falling due after more than one year				
Advanced deposits and deferred income	474,743	538,333	423,076	458,333
Other payables	905,524	269,938	-	-
	1,380,267	808,271	423,076	458,333

(i) Amounts owed to related and group undertakings are unsecured, interest free and are repayable on demand.

21. Current income tax liability

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Opening balance	25,260	25,260	25,260	25,260
Tax charge for the year	2,141	-	2,141	-
Tax payment	(25,260)	-	(25,260)	-
Closing balance	2,141	25,260	2,141	25,260

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22. Borrowings

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Falling due within one year				
Bank overdrafts (i)	-	3,481,502	-	1,396,189
Bank loans (i)	2,256,976	5,272,081	2,256,976	5,163,884
Third party loans (iv)	500,000	-	500,000	-
	<u>2,756,976</u>	<u>8,753,583</u>	<u>2,756,976</u>	<u>6,560,073</u>
Falling due after more than one year				
Bank loans (i)	13,238,314	25,759,801	13,238,314	25,292,430
Related company loans (ii)	-	-	39,560,159	13,872,090
Debt securities (iii)	39,560,159	13,872,090	-	-
Third party loans (iv)	500,000	1,000,000	500,000	1,000,000
	<u>53,298,473</u>	<u>40,631,891</u>	<u>53,298,473</u>	<u>40,164,520</u>
Total borrowings	<u>56,055,449</u>	<u>49,385,474</u>	<u>56,055,449</u>	<u>46,724,593</u>

The bank loans and the debts securities/related party loans are disclosed at the value of the proceeds less the net book amount of the transaction costs as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Face value of bank loans				
Bank loans	15,495,290	31,060,730	15,495,290	30,485,162
Issue costs	-	(86,548)	-	(86,548)
Accumulated amortisation	-	57,700	-	57,700
Net book amount	-	(28,848)	-	(28,848)
Amortised cost	<u>15,495,290</u>	<u>31,031,882</u>	<u>15,495,290</u>	<u>30,456,314</u>
Face value of debt securities/related party loans				
Debt securities/Related company loans	40,000,000	13,984,000	40,000,000	13,984,000
Issue costs	(471,258)	(327,540)	(471,258)	(327,540)
Accumulated amortisation	31,417	215,630	31,417	215,630
Net book amount	(439,841)	(111,910)	(439,841)	(111,910)
Amortised cost	<u>39,560,159</u>	<u>13,872,090</u>	<u>39,560,159</u>	<u>13,872,090</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22. Borrowings (continued)

- (i) The bank overdraft and bank loans are secured by general hypothecs and a special privilege over the Group's assets. The Group's and Company's banking facilities as at 31st December 2017 amounted to €6,228,790 (2016: €6,198,790) for the Group, and €2,450,000 (2016: €2,950,000) for the Company.
- (ii) These represent funds raised by the bond issue which have been advanced to Eden Leisure Group Limited at an annual interest rate of 4.2% (2016: 7%) per annum. The loan is due for repayment in full on the 28th April 2027.
- (iii) By virtue of the Prospectus dated 27 March 2017, Eden Finance p.l.c issued for subscription by the general public 400,000 unsecured bonds having a nominal value of €100 each for an aggregate principal amount of €40,000,000. These bonds have been issued at par.

The bonds are subject to a fixed interest rate of 4% per annum payable on the 28 April of each year up to redemption date. All bonds, unless previously purchased and cancelled, will be redeemed on 28 April 2027.

The bonds are subject to the terms and conditions in the prospectus and are listed on the Malta Stock Exchange. The quoted market price as at 31st December 2017 for the 4% unsecured Bonds was €104 which in the directors' opinion represented the fair value of these financial liabilities.

- (iv) This represents an interest free and unsecured loan granted by a third party. This loan is repayable in full in a bullet payment in two equal instalments in 2018 and 2020.

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Interest rate exposure:				
At floating rates	15,495,290	29,113,384	15,495,290	26,452,503
At fixed rates	39,560,159	19,272,090	39,560,159	19,272,090
Interest free	1,000,000	1,000,000	1,000,000	1,000,000
Total borrowings	56,055,449	49,385,474	56,055,449	46,724,593

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Weighted average effective interest rates at the balance sheet date:				
Bank overdrafts	3.00	2.93	3.00	3.29
Bank loans – variable rate	3.33	3.30	3.33	3.26
Bank loans – fixed rate swap	-	6.11	-	6.11
Debt securities/ related party loan	4.00	6.60	4.20	7.00

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Maturity of long term borrowings:				
Between 1 and 5 years	8,280,899	33,131,517	8,280,899	32,664,146
Over 5 years	45,017,574	7,500,374	45,017,574	7,500,374
	53,298,473	40,631,891	53,298,473	40,164,520

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23. Share capital

	Company	
	2017	2016
	€	€
Authorised share capital		
12,057,600 "A" Ordinary shares of €2.50 each	30,144,000	30,144,000
11,942,400 "B" Ordinary shares of €2.50 each	29,856,000	29,856,000
	<u>60,000,000</u>	<u>60,000,000</u>

	Company	
	2017	2016
	€	€
Issued and called-up share capital		
12,057,600 "A" Ordinary shares of €2.50 each	30,144,000	30,144,000
11,942,400 "B" Ordinary shares of €2.50 each	29,856,000	29,856,000
	<u>60,000,000</u>	<u>60,000,000</u>

24. Revaluation reserve

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
As at 1 st January	26,395,578	37,778,326	23,375,173	34,023,218
Gain on revaluation of property	-	16,396,317	-	17,148,042
Deferred tax liability arising on revaluation of property	-	(1,917,041)	-	(2,004,961)
Depreciation on revalued buildings	(1,160,793)	(862,024)	(1,107,479)	(791,126)
Share issue by way of capitalisation of revaluation reserve	-	(25,000,000)	-	(25,000,000)
As at 31 st December	<u>25,234,785</u>	<u>26,395,578</u>	<u>22,267,694</u>	<u>23,375,173</u>

The revaluation reserve was created on the revaluation of the Group's and Company's property plant and equipment. The revaluation reserve is a non-distributable reserve.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

25. Dividends paid

	Company	
	2017 €	2016 €
Final dividend	2,315,497	-
Interim dividend	3,000,000	1,800,000
Total net dividend	<u>5,315,497</u>	<u>1,800,000</u>
Euro per share (net)	€ 0.221	€ 0.075

A net interim dividend of €3,000,000 in respect of the year ended 31st December 2017 was approved on 30th May 2017 and a final dividend of €2,315,497 in respect of the same year was approved on 18th December 2017.

26. Cash and cash equivalents

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Cash in hand and bank	4,177,020	383,753	1,410,307	25,870
Bank overdraft	-	(3,481,502)	-	(1,396,189)
	<u>4,177,020</u>	<u>(3,097,749)</u>	<u>1,410,307</u>	<u>(1,370,319)</u>

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

27. Related party transactions

During the course of the year the Group and the Company entered into transactions with related parties. These transactions have been carried at arm's length. The related party transactions in question were:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Turnover				
Operating fees	-	-	9,537,334	6,303,902
Use of property	682,392	655,920	752,273	725,801
Accounting services	9,600	18,600	-	-
Other	139,386	157,386	-	-
	<u>148,986</u>	<u>175,986</u>	<u>10,263,135</u>	<u>7,056,175</u>
Other operating expenses				
Rent	-	16,500	-	16,500
Finance costs				
Interest on other loans	-	-	1,517,829	978,880

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 8 to the financial statements.

Amounts due from/to group and associates, in connection with advances, sales and purchases transactions, are disclosed in notes 15, 17 and 20. In the Company's books, amounts due to a subsidiary in connection with group financing activities are disclosed in note 22 to these financial statements.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28. Commitments

Capital expenditure

Commitments for capital expenditure not provided for in these financial statements are as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Authorised but not contracted	2,480,893	-	2,480,893	-
Contracted but not provided for	7,700	3,659,483	7,700	3,604,582

Operating lease commitments where the Group company is a lessee

The future minimum operating lease payments under a non cancellable operating lease are as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Not later than 1 year	228,062	244,262	-	-
Later than 1 year and not later than 5 years	717,250	838,654	-	-
Later than 5 years	213,316	319,974	-	-
	1,158,628	1,402,890	-	-

Operating lease commitments where the Group company is a lessor

The future minimum operating lease payments under a non cancellable operating lease are as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Not later than 1 year	887,051	980,903	838,476	936,236
Later than 1 year and not later than 5 years	2,942,703	3,010,037	2,729,985	2,804,037
Later than 5 years	1,916,380	2,607,499	1,900,709	2,534,499
	5,746,134	6,598,439	5,469,170	6,274,772

29. Contingent liabilities

At 31st December 2017, the Group and Company had contingent liabilities in respect of:

- (i) Guarantees and performance bonds amounting to €6,569 (2016: €6,569) given to third party creditors.
- (ii) A guarantee amounting to NIL (2016: €1,400,000) in favour of HSBC in relation to the interest rate swap.
- (iii) A garnishee amounting to € 37,000 (2016: € 37,000) in relation to a pending litigation.

At 31st December 2017, the Group and Company provided general and special hypothecs over the Group and Company's assets to the amount of €1,750,000 (2016: €1,750,000) to a related company Casino Malta Ltd.

At 31st December 2017 guarantees amounting to €4,292,799 (2016: €7,667,613) were given by the Company with regards to bank facilities of subsidiaries and other related parties.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30. Financial risk management

The Group's activities potentially expose it to a variety of financial risks on its financial assets and financial liabilities. The key components of financial risks to the Group are: cash flow interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises on its interest bearing borrowings. Borrowings issued at variable rates, comprising bank borrowings, expose the Group to cash flow interest rate risk. The Group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. The Group has adopted a cautious risk policy with regards to interest rate fluctuation through the issue of a €40,000,000 10 year bond incurring interest of 4%. The Directors monitor the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Also debt securities, carried at cost, are issued at fixed rates and therefore, do not expose the Group to fair value interest rate risk.

Based on the above, the Directors consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period keeping all other variables constant, to amount to +/- €100,000

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Carrying amounts				
Loans and receivables	430,000	730,000	430,000	730,000
Trade and other receivables	3,931,331	4,107,980	7,673,439	5,345,268
Cash at hand and in bank	4,177,020	383,753	1,410,307	25,870
	<u>8,538,351</u>	<u>5,221,733</u>	<u>9,513,746</u>	<u>6,101,138</u>

Loans and receivables comprise of loans advanced by the Company to a related undertaking that does not form part of the Group as described in note 15. This loan is unsecured, therefore the failure of the related undertaking could have a material impact on the Group's results.

Group companies bank only with local financial institutions with high quality standing or rating. The Group has no concentration of credit risk that could materially impact on the sustainability of its operations. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the Group's results.

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history in the case of credit sales.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered. The Group's review includes external credit worthiness databases when available. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30. Financial risk management (continued)

Included in the Group's trade receivable balance are the following debtors which are past due at the reporting date for which the group has not provided as the amounts are still considered recoverable:

	Group	
	2017	2016
	€	€
91 – 120 days	165,967	289,867
Over 120 days	260,314	553,475
	<u>426,281</u>	<u>843,342</u>

Included in the Group's impairment provision are individually impaired trade receivables which either have been placed into liquidation or which are in unexpectedly difficult economic situation:

	Group	
	2017	2016
	€	€
Local receivables	29,119	41,833
Foreign receivables	3,358	15,733
	<u>32,477</u>	<u>57,566</u>

The Company's receivables also include advances to Group undertakings on which no credit risk is considered to arise.

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and interest-bearing borrowings disclosed in notes 19 and 20. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meeting the Group's obligations.

The Directors monitor liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period, in order to ensure that adequate funding is in place in order for the Group to be in a position to meet its commitments as and when they will fall due.

EDEN LEISURE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30. Financial risk management (continued)

The table below analyses the Groups financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2017	Group 2016
	€	€
Within one year		
Trade and other payables	11,507,972	11,958,670
Bank and other borrowings	2,686,919	9,561,881
Financial liabilities at FVTPL	-	126,873
Debt securities	1,552,874	890,190
	<u>15,747,765</u>	<u>22,537,614</u>
Between 2 and 5 years		
Trade and other payables	1,380,267	808,271
Bank and other borrowings	9,059,114	20,311,725
Debt securities	6,211,497	16,561,768
	<u>16,650,878</u>	<u>37,681,764</u>
Over 5 years		
Bank and other borrowings	5,772,651	8,126,782
Debt securities	47,795,788	-
	<u>53,568,439</u>	<u>8,126,782</u>
	<u><u>85,967,082</u></u>	<u><u>68,346,160</u></u>

Fair values

At 31 December 2017 and 31 December 2016 the carrying amounts of payables, receivables and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of long-term borrowings are not materially different from their carrying amounts.

31. Comparative figures

Certain comparative figures have been changed to comply with this year's presentations.

32. Statutory information

Eden Leisure Group Limited is a limited liability Company and is incorporated in Malta.