

**EDEN LEISURE GROUP LIMITED**

**FINANCIAL STATEMENTS**

***FOR THE YEAR ENDING 31<sup>st</sup> DECEMBER 2016***

**Company No. C-4529**

# EDEN LEISURE GROUP LIMITED

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# EDEN LEISURE GROUP LIMITED

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2016

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<b>Directors:-</b>	Mr. Ian De Cesare (Chairman of the Board) Mr. Kevin De Cesare (Managing Director) Mr. Simon De Cesare (Executive Director) Mr. David Vella (Executive Director) Mr. Kevin De Cesare Jr. (Executive Director)
<b>Bankers:-</b>	HSBC Bank Malta p.l.c., Commercial Branch, Republic Street, Valletta, Malta.  Lombard Bank Malta p.l.c., Credit Department, St. Frederick Street, Valletta, Malta.  Bank of Valletta p.l.c., Corporate Finance, Cannon Road, Santa Venera, Malta.
<b>Registered office:-</b>	Eden Place, St. Augustine Street, St. George's Bay, St. Julians, Malta.
<b>Auditors:-</b>	VCA Certified Public Accountants, Finance House, Princess Elizabeth Street, Ta' Xbiex, Malta.

The directors present their report together with the audited financial statements of the Group and the Company for the year ending 31<sup>st</sup> December 2016.

### 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 the largest five star property, InterContinental Malta, which is operated by InterContinental Hotel Group.

### Review of the business

Financial year 2016 proved to be a successful year with significant increases both in revenues and profits for the Group. The Group achieved substantial revenues and profits in the Entertainment, Hospitality and Property segments. Group revenues increased from €28m in 2015 to €31m in 2016 and profits after tax for the year amounted to €3.3m, up from the €1.3m achieved in 2015.

The hotel benefitted from a full year of the renovated InterContinental Arena Conference Centre which was heavily used throughout the year and added greatly to the competitiveness of the Hotel property.

In December 2015, 3,000m<sup>2</sup> of Group property at level 1, under the hotel, were leased out to Malta's newest and largest Casino, Casino Malta. This lease led to an increase in the Group's property segment revenue and added contribution towards car park revenue, hotel accommodation and hotel food & beverage revenue.

The hospitality operations continued to show growth during 2016 with an increase of 21% when compared to 2015.

# EDEN LEISURE GROUP LIMITED

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2016

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### Review of the business (continued)

The entertainment portfolio achieved a significant increase in its revenues for 2016. Eden Cinemas continued to build on a particularly successful year in 2015 as did the car park. The other notable growth area was 897 Bay which increased its contribution to the Group by 25% for the year while retaining its position as the most listened to station in Malta. Overall the Entertainment portfolio increased its revenue by 12% and its' GOP by 24% year on year.

The property rental segment grew significantly due to the newly rented casino premises. All available properties were rented throughout the year.

The final capital project currently being undertaken by the Group, is the Holiday Inn Express which will be completed in quarter three of 2017. This 118 room three star hotel will be operated by the management of the InterContinental Malta.

The Group's 2010 bond is up for early redemption in 2017 and the management along with the Board of Directors are looking into redeeming the existing bond and replacing with another bond. The Group's subsidiary special purpose finance vehicle has submitted an application to the MFSA for approval of a new issuance.

The Group's interest cash cover this year stood at 4 times when compared to 3 times in 2015.

The Board of Directors remain confident that the Group will continue to show growth and development in line with the current positive economic market conditions.

### Dividends

Net interim dividends to the ordinary shareholders issued during the year ended 31<sup>st</sup> December 2016 amounted to €1,800,000. The amount of profit carried to reserves at the end of the reporting period amounted to € 1,492,938.

### Results

The statement of comprehensive income is set out on page 6.

### Directors

The directors in office during the year and after year end are listed on page 1. The directors shall continue in office in accordance with the Company's Memorandum and Articles of Association.

### Post balance sheet events

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

# EDEN LEISURE GROUP LIMITED

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDING 31<sup>ST</sup> DECEMBER 2016

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### 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:-

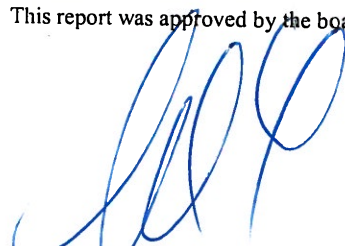
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;

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 23 February 2017 and signed on its behalf by:



Mr. Ian De Cesare  
Chairman of the Board



Mr. Kevin De Cesare  
Managing Director



CERTIFIED PUBLIC ACCOUNTANTS

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Vat No. MT 2158 - 7124

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

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### Report on the Audit of the Financial Statements

We have audited the financial statements of Eden Leisure Group Limited, set out on pages 7 to 40, which comprise the Group's and the Company's statement of financial position as at 31 December 2016, 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.

### 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 2016, 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.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.



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

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### 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.





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

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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.

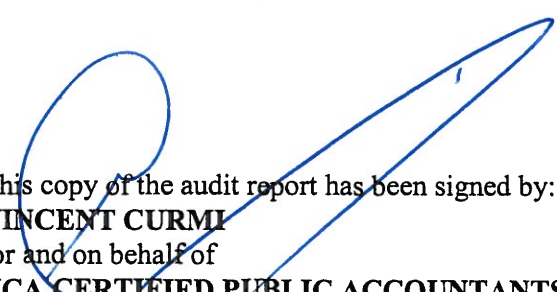
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### 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**

23 February 2017



# EDEN LEISURE GROUP LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016

	Notes	Group		Company	
		2016 €	2015 €	2016 €	2015 €
<b>Revenue</b>	4	<b>31,310,120</b>	<b>28,196,752</b>	<b>7,015,005</b>	<b>6,721,242</b>
<b>Costs</b>					
Direct costs		(14,315,917)	(13,041,057)	(28,644)	(30,808)
Other operating expenses		(5,612,877)	(5,281,591)	(251,721)	(80,898)
		<b>(19,928,794)</b>	<b>(18,322,648)</b>	<b>(280,365)</b>	<b>(111,706)</b>
<b>Gross profit</b>		<b>11,381,326</b>	<b>9,874,104</b>	<b>6,734,640</b>	<b>6,609,536</b>
Other operating income	5	669,819	84,370	669,819	84,370
Administrative expenses		(3,683,812)	(3,561,052)	(850,780)	(777,855)
Depreciation and amortisation		(3,673,215)	(3,159,658)	(3,510,664)	(3,020,919)
<b>Operating profit</b>		<b>4,694,118</b>	<b>3,237,764</b>	<b>3,043,015</b>	<b>2,895,132</b>
Share of losses in associates		(741)	(501)	-	-
Gain on financial instruments designated at fair value through profit or loss		199,084	272,924	199,084	272,924
Finance costs	6	(2,104,499)	(2,061,292)	(2,103,992)	(2,048,056)
Loss on sale of fixed assets		(136,057)	(157,988)	(99,520)	(157,988)
Fair value gain on investment property		-	103,886	-	103,886
		<b>(2,042,213)</b>	<b>(1,842,971)</b>	<b>(2,004,428)</b>	<b>(1,829,234)</b>
<b>Profit before taxation</b>	7	<b>2,651,905</b>	<b>1,394,793</b>	<b>1,038,587</b>	<b>1,065,898</b>
<b>Tax income/(expense)</b>	9	<b>641,033</b>	<b>(77,037)</b>	<b>1,251,432</b>	<b>68,585</b>
<b>Profit for the year</b>		<b>3,292,938</b>	<b>1,317,756</b>	<b>2,290,019</b>	<b>1,134,483</b>
<b>Other comprehensive income</b>					
Revaluation surplus net of deferred tax	23	14,479,276	29,523,160	15,143,081	27,419,282
<b>Other comprehensive income for the year, net of tax</b>		<b>14,479,276</b>	<b>29,523,160</b>	<b>15,143,081</b>	<b>27,419,282</b>
<b>Total comprehensive income for the year</b>		<b>17,772,214</b>	<b>30,840,916</b>	<b>17,433,100</b>	<b>28,553,765</b>
<b>Attributable to:</b>					
Equity holders of the company		<b>17,772,214</b>	<b>30,840,916</b>	<b>17,433,100</b>	<b>28,553,765</b>

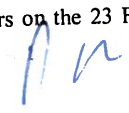
# EDEN LEISURE GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2016

	Notes	Group		Company	
		2016 €	2015 €	2016 €	2015 €
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	10	7,020	9,360	7,020	9,360
Property, plant and equipment	11	137,040,652	113,683,478	130,121,618	105,813,631
Property, plant and equipment under development	12	8,503,435	12,147,280	8,503,435	12,147,280
Investment property	13	12,200,000	12,200,000	12,200,000	12,200,000
Investment in subsidiaries	14	-	-	2,575,110	2,575,110
Investment in associates and joint ventures	14	720,065	720,806	575,048	575,048
Loans and receivables	15	730,000	1,050,000	730,000	1,050,000
		<u>159,201,172</u>	<u>139,810,924</u>	<u>154,712,231</u>	<u>134,370,429</u>
<b>Current assets</b>					
Inventories	16	1,803,523	1,834,730	1,614,907	1,609,459
Trade and other receivables	17	4,107,980	3,452,180	5,345,268	5,265,062
Cash at bank and in hand		383,753	329,519	25,870	24,799
		<u>6,295,256</u>	<u>5,616,429</u>	<u>6,986,045</u>	<u>6,899,320</u>
<b>Total Assets</b>		<u><u>165,496,428</u></u>	<u><u>145,427,353</u></u>	<u><u>161,698,276</u></u>	<u><u>141,269,749</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	23	60,000,000	35,000,000	60,000,000	35,000,000
Revaluation reserve	24	26,395,578	37,778,326	23,375,173	34,023,218
Fair value gains reserve		489,734	489,734	489,734	489,734
Retained earnings		5,734,582	3,379,620	13,550,310	12,269,165
		<u>92,619,894</u>	<u>76,647,680</u>	<u>97,415,217</u>	<u>81,782,117</u>
<b>Non-current liabilities</b>					
Trade and other payables	20	808,271	44,695	458,333	6,014
Borrowings	22	40,631,891	40,145,591	40,164,520	39,570,254
Deferred tax liabilities	18	10,571,986	9,321,238	10,245,940	9,517,671
		<u>52,012,148</u>	<u>49,511,524</u>	<u>50,868,793</u>	<u>49,093,939</u>
<b>Current liabilities</b>					
Financial liabilities at fair value through profit or loss	19	126,873	325,956	126,873	325,956
Trade and other payables	20	11,958,670	10,931,252	6,702,060	4,991,714
Current income tax liability	21	25,260	-	25,260	-
Borrowings	22	8,753,583	8,010,941	6,560,073	5,076,023
		<u>20,864,386</u>	<u>19,268,149</u>	<u>13,414,266</u>	<u>10,393,693</u>
<b>Total Liabilities</b>		<u><u>72,876,534</u></u>	<u><u>68,779,673</u></u>	<u><u>64,283,059</u></u>	<u><u>59,487,632</u></u>
<b>Total Equity and Liabilities</b>		<u><u>165,496,428</u></u>	<u><u>145,427,353</u></u>	<u><u>161,698,276</u></u>	<u><u>141,269,749</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on the 23 February 2017 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 31<sup>ST</sup> DECEMBER 2016

### Group

	Share capital	Revaluation reserve	Unrealised fair value gains reserve	Retained earnings	Total
	€	€	€	€	€
<b>Balance at 31<sup>st</sup> December 2014</b>	<b>35,000,000</b>	<b>7,082,118</b>	<b>396,236</b>	<b>1,739,217</b>	<b>44,217,571</b>
Profit for the year	-	-	-	1,317,756	1,317,756
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(416,145)	-	416,145	-
Effect of change in tax law enacted in Malta	-	1,589,193	-	-	1,589,193
Revaluation net of deferred tax	-	29,523,160	-	-	29,523,160
Net transfers of fair value gains on investment investment property, net of deferred tax	-	-	93,498	(93,498)	-
<b>Balance at 31<sup>st</sup> December 2015</b>	<b>35,000,000</b>	<b>37,778,326</b>	<b>489,734</b>	<b>3,379,620</b>	<b>76,647,680</b>
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
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)
Revaluation net of deferred tax	-	14,479,276	-	-	14,479,276
<b>Balance at 31<sup>st</sup> December 2016</b>	<b>60,000,000</b>	<b>26,395,578</b>	<b>489,734</b>	<b>5,734,582</b>	<b>92,619,894</b>

### Company

	Share capital	Revaluation reserve	Unrealised fair value gains reserve	Retained earnings	Total
	€	€	€	€	€
<b>Balance at 31<sup>st</sup> December 2014</b>	<b>35,000,000</b>	<b>5,515,264</b>	<b>396,236</b>	<b>10,839,462</b>	<b>51,750,962</b>
Profit for the year	-	-	-	1,134,483	1,134,483
Difference between historical depreciation charge and actual depreciation for the year calculated on a revalued amount	-	(388,718)	-	388,718	-
Effect of change in tax law enacted in Malta	-	1,477,390	-	-	1,477,390
Revaluation net of deferred tax	-	27,419,282	-	-	27,419,282
Net transfers of fair value gains on investment investment property, net of deferred tax	-	-	93,498	(93,498)	-
<b>Balance at 31<sup>st</sup> December 2015</b>	<b>35,000,000</b>	<b>34,023,218</b>	<b>489,734</b>	<b>12,269,165</b>	<b>81,782,117</b>
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
<b>Balance at 31<sup>st</sup> December 2016</b>	<b>60,000,000</b>	<b>23,375,173</b>	<b>489,734</b>	<b>13,550,310</b>	<b>97,415,217</b>

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016

	Note	Group		Company	
		2016 €	2015 €	2016 €	2015 €
<b>Cashflow from operating activities</b>					
Profit before taxation		2,651,905	1,394,793	1,038,587	1,065,898
Adjustments for:					
Depreciation and amortisation		3,673,215	3,159,658	3,510,664	3,020,919
Finance costs		2,063,090	2,019,883	2,062,583	2,006,647
Loss on disposal of fixed assets		136,057	157,988	99,520	157,988
Fair value movement in financial instruments		(199,084)	(272,924)	(199,084)	(272,924)
Movement in provision for doubtful debts		1,735	53,345	-	-
Amortisation of finance issue costs		41,409	41,409	41,409	41,409
Movement in share of assets in associates		741	501	-	-
Fair value movement on investment property		-	(103,886)	-	(103,886)
<i>Operating profit before working capital changes</i>		<u>8,369,068</u>	<u>6,450,767</u>	<u>6,553,679</u>	<u>5,916,051</u>
Movement in stocks		31,207	(547,225)	(5,448)	(474,587)
Movement in receivables / group company balances		(434,183)	73,063	143,146	(222,155)
Movement in payables / advance deposits		(184,975)	1,263,746	689,544	2,378,139
<i>Cash generated from operations</i>		<u>7,781,117</u>	<u>7,240,351</u>	<u>7,380,921</u>	<u>7,597,448</u>
Interest paid		(2,297,223)	(2,165,490)	(2,299,564)	(2,152,812)
<i>Net cash flows from operating activities</i>		<u>5,483,894</u>	<u>5,074,861</u>	<u>5,081,357</u>	<u>5,444,636</u>
<b>Cashflow from investing activities</b>					
Payments to acquire tangible fixed assets		(6,933,827)	(10,715,403)	(6,933,827)	(10,715,403)
Amounts advanced to other related undertakings		320,000	(1,050,000)	320,000	(1,050,000)
<i>Net cash flows used in investing activities</i>		<u>(6,613,827)</u>	<u>(11,765,403)</u>	<u>(6,613,827)</u>	<u>(11,765,403)</u>
<b>Cashflow from financing activities</b>					
Repayment of bank borrowings		(4,089,480)	(3,201,593)	(3,986,769)	(3,116,833)
New bank borrowings		5,320,281	7,895,249	5,320,281	7,895,249
New other third party borrowings		-	1,000,000	-	1,000,000
Dividends		(800,000)	-	(800,000)	-
Receipts from distributor agreement		500,000	-	-	-
Movement in other related party balances		296,634	(239,922)	296,634	(239,922)
<i>Net cash flows from financing activities</i>		<u>1,227,435</u>	<u>5,453,734</u>	<u>830,146</u>	<u>5,538,494</u>
<b>Net movement in cash and cash equivalents</b>		<u>97,502</u>	<u>(1,236,808)</u>	<u>(702,324)</u>	<u>(782,273)</u>
Cash and cash equivalents at the beginning of the year		(3,195,251)	(1,958,443)	(667,995)	114,278
Cash and cash equivalents at the end of the year	26	<u>(3,097,749)</u>	<u>(3,195,251)</u>	<u>(1,370,319)</u>	<u>(667,995)</u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 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, (Chap. 386), enacted in Malta.

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, investment property and certain financial instruments, which are stated at their fair values.

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

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The entertainment business achieved a revenue increase of 12% and a GOP increase of 24% in 2016 with particular increases registered in car park, radio station and its cinema.

The property rental segment grew significantly due to the newly rented casino premises. All available properties were rented throughout the year.

The hospitality operation remained the largest contributor of the Group business contributing 66% of EBITDA for the year. The hospitality operations continued to show growth during 2016 with healthy levels of occupancy and an improved average daily rate. The EBITDA for the hospitality operation was up 21% on 2015 figures.

With the major construction around the hotel having ceased in 2016 the hotel is expected to rebound significantly in 2017. Continued strong figures being registered in Malta and the addition of the new 30 Hi Line suites will translate into stronger revenue figures and a higher average rate with a sustained occupancy.

Contribution for 2017 is being projected to increase significantly in first half of the year, normalised business, continued positive tourism figures and the addition of our high quality luxury suites. It is expected that 2018 will also continue positively with the European Capital of Culture.

Borrowing arrangements made with the lenders of Eden Leisure Group Limited, namely HSBC Bank (Malta) plc., Bank of Valletta plc and Lombard Bank Malta plc. are in place and all obligations to date have been met.

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.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *Standards, interpretations and amendments to published standards effective in 2016*

In 2016, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2016. 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 1<sup>st</sup> January 2016. 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.

## 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.

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.



# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *Basis of consolidation (continued)*

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.

### *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.



# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *Property, plant & equipment (continued)*

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.

### *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.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### ***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.

### ***(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.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *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.

### *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.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### *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.

### *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

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### *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 €137,040,652.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Business segments

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.

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>
<b>Segment results from operations</b>	<b>2,834,729</b>	<b>5,532,604</b>	<b>8,367,333</b>
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)
Disposal of non current assets			(136,057)
<b>Profit before taxation</b>			<b>2,651,905</b>
Tax income			641,033
<b>Profit for the year</b>			<b>3,292,938</b>
<b>Other comprehensive income</b>			
Revaluation surplus net of deferred tax			14,479,276
<b>Other comprehensive income for the year, net of tax</b>			<b>14,479,276</b>
<b>Total comprehensive income for the year</b>			<b>17,772,214</b>
Segment assets	49,724,154	115,772,274	165,496,428
<b>Total assets</b>			<b>165,496,428</b>
Segment liabilities	6,790,185	9,458,258	16,248,443
Unallocated liabilities			56,628,091
<b>Total liabilities</b>			<b>72,876,534</b>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Business segments (continued)

2015	Entertainment & other related operations €	Hospitality operations €	Total €
Revenue	7,656,988	20,940,710	28,597,698
Less inter-segmental sales	(391,600)	(9,346)	(400,946)
	<u>7,265,388</u>	<u>20,931,364</u>	<u>28,196,752</u>
<b>Segment results from operations</b>	<b>1,830,329</b>	<b>4,567,093</b>	<b>6,397,422</b>
Depreciation and amortisation	(859,620)	(2,300,038)	(3,159,658)
Share of losses of associates			(501)
Gain on financial instruments designated at fair value through profit or loss			272,924
Finance costs			(2,061,292)
Disposal of non current assets			(157,988)
Fair value gain on investment property			103,886
<b>Profit before taxation</b>			<b>1,394,793</b>
Tax expense			(77,037)
<b>Profit for the year</b>			<b>1,317,756</b>
<b>Other comprehensive income</b>			
Revaluation surplus net of deferred tax			29,523,160
<b>Other comprehensive income for the year, net of tax</b>			<b>29,523,160</b>
<b>Total comprehensive income for the year</b>			<b>30,840,916</b>
Segment assets	52,502,390	92,924,963	145,427,353
<b>Total assets</b>			<b>145,427,353</b>
Segment liabilities	5,516,339	8,984,378	14,500,717
Unallocated liabilities			54,278,956
<b>Total liabilities</b>			<b>68,779,673</b>



# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

5. Other operating income	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Operating fees	669,819	84,370	669,819	84,370
<hr/>				
6. Finance costs	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Interest on bank overdraft and borrowings	1,343,434	1,240,297	1,286,991	1,171,125
Interest on other loans	931,672	931,636	987,608	987,572
Borrowing transaction costs	41,409	41,409	41,409	41,409
<hr/>				
Amounts included in the cost of qualifying assets	2,316,515 (212,016)	2,213,342 (152,050)	2,316,008 (212,016)	2,200,106 (152,050)
<hr/>				
	2,104,499	2,061,292	2,103,992	2,048,056
<hr/>				
7. Profit before taxation	Group		Company	
	2016 €	2015 €	2016 €	2015 €
This is stated after charging:				
Directors' remuneration	535,469	507,085	527,452	499,693
Bad debts and provision for doubtful debts	1,735	53,345	-	-
Difference on exchange	144	-	-	-
<hr/>				
and after crediting:				
Difference on exchange	-	574	-	-
<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	
	2016 €	2015 €	2016 €	2015 €
Total remuneration payable to the company's auditors for:				
- the audit of the Group's financial statements	29,056	29,056	8,153	8,153
- tax compliance and other non-assurance services	5,400	5,400	2,250	2,250
<hr/>				
	34,456	34,456	10,403	10,403
<hr/>				

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Staff costs and employee information

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Wages and salaries	8,737,346	8,480,397	2,114,467	2,042,068
Taxes and other benefits	1,183,857	973,672	113,872	117,205
	<u>9,921,203</u>	<u>9,454,069</u>	<u>2,228,339</u>	<u>2,159,273</u>
Recharged to subsidiaries	-	-	(1,751,258)	(1,703,436)
	<u>9,921,203</u>	<u>9,454,069</u>	<u>477,081</u>	<u>455,837</u>

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

	Group		Company	
	2016 Number	2015 Number	2016 Number	2015 Number
Administrative	55	54	17	19
Operational	425	407	78	82
	<u>480</u>	<u>461</u>	<u>95</u>	<u>101</u>

### 9. Tax expense/(income)

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>Group undertakings:</b>				
Deferred tax charge/(credit)	(666,293)	77,037	(1,276,692)	(68,585)
Tax charge	25,260	-	25,260	-
	<u>(641,033)</u>	<u>77,037</u>	<u>(1,251,432)</u>	<u>(68,585)</u>
<b>Associated undertakings:</b>				
Tax charge	-	-	-	-
	<u>(641,033)</u>	<u>77,037</u>	<u>(1,251,432)</u>	<u>(68,585)</u>

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
The tax expense and the tax charge using the statutory income tax rate of 35% are reconciled as follows				
Profit before taxation	2,651,905	1,394,793	1,038,587	1,065,898
Tax charge at 35%	<u>928,166</u>	<u>488,177</u>	<u>363,505</u>	<u>373,064</u>
Depreciation charges not deductible for tax purposes by way of capital allowances	176,013	94,092	131,395	63,820
Expenditure disallowed for tax purposes	3,261	1,840	2,838	1,603
Tax effect of non-taxable income	(69,679)	(131,883)	(69,679)	(131,883)
Unutilized tax credits carried forward	(1,456,363)	(104,941)	(1,456,363)	(104,941)
Deferred tax asset not recognised in prior year	(153,652)	(280,636)	(154,349)	(280,636)
Deferred tax liability on fair value movement recognised in profit or loss	-	10,388	-	10,388
Income taxed at a reduced tax rate	(33,680)	-	(33,680)	-
Additional allowable deductions on rental income	(35,099)	-	(35,099)	-
Tax expense/(income)	<u>(641,033)</u>	<u>77,037</u>	<u>(1,251,432)</u>	<u>(68,585)</u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. Intangible assets

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
<b>Licences</b>				
<b>Cost</b>				
As at 1 <sup>st</sup> January	23,400	23,400	23,400	23,400
Movement	-	-	-	-
As at 31 <sup>st</sup> December	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>
<b>Amortisation</b>				
As at 1 <sup>st</sup> January	14,040	11,700	14,040	11,700
Provision for the year	2,340	2,340	2,340	2,340
As at 31 <sup>st</sup> December	<u>16,380</u>	<u>14,040</u>	<u>16,380</u>	<u>14,040</u>
<b>Carrying amount as at 31<sup>st</sup> December</b>	<u>7,020</u>	<u>9,360</u>	<u>7,020</u>	<u>9,360</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 €
<b>Cost/Valuation</b>							
As at 1 <sup>st</sup> January 2015	76,983,731	13,473,771	11,666,116	1,559,764	323,381	12,158,123	116,164,886
Additions	200,000	377,085	389,517	215,033	-	233,369	1,415,004
Reallocation from property, plant and equipment under development	242,755	515,622	352,464	-	-	389,159	1,500,000
Revaluation	30,082,206	-	-	-	-	-	30,082,206
Reallocation to investment property	(5,337,849)	-	-	-	-	-	(5,337,849)
Disposals	-	(435,215)	(193,952)	(32,419)	-	(135,104)	(796,690)
Receipt of grants	-	-	(71,427)	-	-	-	(71,427)
As at 1 <sup>st</sup> 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 31 <sup>st</sup> December 2016	121,341,256	16,123,122	14,888,511	1,831,649	323,381	13,009,841	167,517,760
<b>Depreciation</b>							
As at 1 <sup>st</sup> January 2015	1,947,795	9,389,680	9,365,083	1,410,039	323,381	7,233,257	29,669,235
Depreciation charge	982,761	735,001	733,232	117,249	-	589,075	3,157,318
Eliminated on disposals	-	(383,100)	(162,326)	(32,419)	-	(60,857)	(638,702)
Revaluation	(2,915,199)	-	-	-	-	-	(2,915,199)
As at 1 <sup>st</sup> 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 31 <sup>st</sup> December 2016	20,476	10,095,318	10,092,747	1,595,100	323,381	8,350,086	30,477,108
<b>Net Book Value</b>							
As at 31 <sup>st</sup> December 2016	121,320,780	6,027,804	4,795,764	236,549	-	4,659,755	137,040,652
As at 1 <sup>st</sup> January 2016	102,155,486	4,189,682	2,206,729	247,509	-	4,884,072	113,683,478

# 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 €
<b>Cost/Valuation</b>							
As at 1 <sup>st</sup> January 2015	71,328,672	12,488,368	11,223,872	1,484,785	316,568	12,153,649	108,995,914
Additions	200,000	377,085	389,517	215,033	-	233,369	1,415,004
Reallocation from property, plant and equipment under development	242,755	515,622	352,464	-	-	389,159	1,500,000
Revaluation	28,032,873	-	-	-	-	-	28,032,873
Reallocation to investment property	(5,337,849)	-	-	-	-	-	(5,337,849)
Disposals	-	(435,215)	(193,952)	(32,419)	-	(135,104)	(796,690)
Receipt of grants	-	-	(71,427)	-	-	-	(71,427)
As at 1 <sup>st</sup> 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 31 <sup>st</sup> December 2016	114,516,068	15,265,869	14,551,502	1,770,934	316,568	13,005,367	159,426,308
<b>Depreciation</b>							
As at 1 <sup>st</sup> January 2015	1,764,572	8,545,458	9,008,513	1,334,900	316,568	7,230,027	28,200,038
Depreciation charge	891,149	706,766	714,459	117,249	-	588,956	3,018,579
Eliminated on disposals	-	(383,100)	(162,326)	(32,419)	-	(60,857)	(638,702)
Revaluation	(2,655,721)	-	-	-	-	-	(2,655,721)
As at 1 <sup>st</sup> 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 31 <sup>st</sup> December 2016	-	9,303,493	9,803,787	1,534,224	316,568	8,346,618	29,304,690
<b>Net Book Value</b>							
As at 31 <sup>st</sup> December 2016	114,516,068	5,962,376	4,747,715	236,710	-	4,658,749	130,121,618
As at 1 <sup>st</sup> January 2016	94,466,451	4,076,736	2,139,828	247,669	-	4,882,947	105,813,631

#### **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).

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

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### 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 € 121million.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Property, plant and equipment under development

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>As at 1<sup>st</sup> January</b>	<b>12,147,280</b>	<b>7,634,254</b>	<b>12,147,280</b>	<b>7,634,254</b>
Additions	5,325,129	6,069,638	5,325,129	6,069,638
Transfer to property, plant and equipment and investment property	(8,968,974)	(1,556,612)	(8,968,974)	(1,556,612)
<b>As at 31<sup>st</sup> December</b>	<b>8,503,435</b>	<b>12,147,280</b>	<b>8,503,435</b>	<b>12,147,280</b>

The assets in course of construction at year end relate to works carried out on the development of the new Holiday Inn Express.

### 13. Investment property

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>As at 1<sup>st</sup> January</b>	<b>12,200,000</b>	<b>3,247,415</b>	<b>12,200,000</b>	<b>3,247,415</b>
Additions	-	3,454,238	-	3,454,238
Transfer from property, plant and equipment under development	-	56,612	-	56,612
Transfer from property, plant and equipment	-	5,337,849	-	5,337,849
Fair value movement	-	103,886	-	103,886
<b>As at 31<sup>st</sup> December</b>	<b>12,200,000</b>	<b>12,200,000</b>	<b>12,200,000</b>	<b>12,200,000</b>

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 Group's architect.

### 14. Financial assets

Company	Shares in subsidiaries €	Shares in associates and joint ventures €	Total €
At 1 <sup>st</sup> January 2015	2,575,110	575,048	3,150,158
Additions	-	-	-
Impairment	-	-	-
At 31 <sup>st</sup> December 2015	2,575,110	575,048	3,150,158
Additions	-	-	-
Impairment	-	-	-
At 31 <sup>st</sup> December 2016	2,575,110	575,048	3,150,158



# 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	2016 % holding	2015 % 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
<b>Associates</b>				
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	Coffee Shop	25.00	25.00

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

	2016 €	Group 2015 €
<b>Opening net book value</b>	<b>720,806</b>	<b>721,307</b>
Additions	-	-
Impairment	-	-
Share of losses of Associated undertakings (after tax)	(741)	(501)
Closing net book value	<u>720,065</u>	<u>720,806</u>
Net assets	<b>2,160,217</b>	<b>2,162,440</b>
<b>Group share of net assets</b>	<u><b>720,065</b></u>	<u><b>720,806</b></u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Loans and receivables

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>Non-current</b>				
Amounts owed by other related undertakings (i)	<b>730,000</b>	<b>1,050,000</b>	<b>730,000</b>	<b>1,050,000</b>

(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 31<sup>st</sup> December 2018.

### 16. Inventories

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Food, beverage and consumables	<b>176,738</b>	<b>213,393</b>	-	-
Crockery and linen	<b>1,548,851</b>	<b>1,543,403</b>	<b>1,536,973</b>	<b>1,531,525</b>
Other stocks	<b>77,934</b>	<b>77,934</b>	<b>77,934</b>	<b>77,934</b>
	<b>1,803,523</b>	<b>1,834,730</b>	<b>1,614,907</b>	<b>1,609,459</b>

### 17. Trade and other receivables

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Trade receivables	<b>2,196,481</b>	<b>1,677,811</b>	<b>144,827</b>	<b>92,498</b>
Amounts owed by related/group undertakings (i)	<b>843,648</b>	<b>1,122,698</b>	<b>4,374,013</b>	<b>4,708,510</b>
Other receivables	<b>779,410</b>	<b>381,170</b>	<b>667,487</b>	<b>296,045</b>
Prepayments and accrued income	<b>288,441</b>	<b>270,501</b>	<b>158,941</b>	<b>168,009</b>
	<b>4,107,980</b>	<b>3,452,180</b>	<b>5,345,268</b>	<b>5,265,062</b>

(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% (2015 – 35% / 10%).

The movement in the deferred tax account is as follows:

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
At the beginning of the year	(9,321,238)	(7,359,149)	(9,517,671)	(7,794,334)
Movement in absorbed tax losses and capital allowances	(832,367)	(629,067)	(210,578)	(485,667)
Movement in unutilized tax credits	1,456,363	385,614	1,456,363	385,614
Movement in effect of provisions	(9,358)	(16,983)	-	-
Movement in the excess of capital allowances over depreciation	51,655	193,787	30,907	179,026
Change in tax law enacted in Malta	-	1,589,193	-	1,477,390
Effect due to revaluation of assets	(1,917,041)	(3,484,633)	(2,004,961)	(3,279,700)
At the end of the year	<u>(10,571,986)</u>	<u>(9,321,238)</u>	<u>(10,245,940)</u>	<u>(9,517,671)</u>
Effect recognised in:				
Deferred tax movements recognised in profit or loss (note 9)	666,293	(77,037)	1,276,692	68,585
Deferred tax movements recognised in equity	(1,917,041)	(1,885,052)	(2,004,961)	(1,791,922)
	<u>(1,250,748)</u>	<u>(1,962,089)</u>	<u>(728,269)</u>	<u>(1,723,337)</u>

The following amounts are shown in the balance sheet:

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<i>Deferred tax assets</i>				
Unabsorbed tax losses and capital allowances	2,962,727	3,795,094	2,581,353	2,791,931
Unutilized tax credits	1,841,977	385,614	1,841,977	385,614
Effect of provisions	20,149	29,507	-	-
	<u>4,824,853</u>	<u>4,210,215</u>	<u>4,423,330</u>	<u>3,177,545</u>
<i>Deferred tax liabilities</i>				
Effect of excess of capital allowances over depreciation	(2,049,202)	(2,100,858)	(1,997,663)	(2,028,571)
Effect due to revaluation of assets	(13,347,637)	(11,430,595)	(12,671,607)	(10,666,645)
	<u>(15,396,839)</u>	<u>(13,531,453)</u>	<u>(14,669,270)</u>	<u>(12,695,216)</u>
	<u>(10,571,986)</u>	<u>(9,321,328)</u>	<u>(10,245,940)</u>	<u>(9,517,671)</u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Financial liabilities at fair value through profit or loss

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>Fair value</b>				
Financial liabilities classified as held for trading				
- Derivative financial instruments	126,873	325,956	126,873	325,956

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 €5,400,000 (2015: €7,200,000).

At the end of the reporting period, the fixed interest rates on interest rate swap is 3.11% per annum. The floating rate is the three-month EURIBOR. The interest rate swaps settle on a quarterly basis and the company settles the difference between the fixed and the floating interest rate.

### 20. Trade and other payables

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>Falling due within one year</b>				
Trade payables	4,253,887	4,283,715	148,123	143,142
Capital payables	566,624	472,327	566,624	472,327
Amounts owed to related/group undertakings (i)	1,217,726	219,639	5,049,852	2,851,859
Accruals	2,652,820	2,404,110	833,654	839,562
Advanced deposits and deferred income	2,088,727	2,092,595	76,695	112,591
Other payables	1,178,886	1,458,866	27,112	572,233
	<u>11,958,670</u>	<u>10,931,252</u>	<u>6,702,060</u>	<u>4,991,714</u>
<b>Falling due after more than one year</b>				
Advanced deposits and deferred income	538,333	-	458,333	-
Other payables	269,938	44,695	-	6,014
	<u>808,271</u>	<u>44,695</u>	<u>458,333</u>	<u>6,014</u>

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

### 21. Current income tax liability

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Opening balance	-	-	-	-
Tax charge for the year	25,260	-	25,260	-
Closing balance	<u>25,260</u>	<u>-</u>	<u>25,260</u>	<u>-</u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Borrowings

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
<b>Falling due within one year</b>				
Bank overdrafts (i)	3,481,502	3,524,770	1,396,189	692,794
Bank loans (i)	5,272,081	4,486,171	5,163,884	4,383,229
	<u>8,753,583</u>	<u>8,010,941</u>	<u>6,560,073</u>	<u>5,076,023</u>
<b>Falling due after more than one year</b>				
Bank loans (i)	25,759,801	25,306,254	25,292,430	24,730,917
Related company loans (ii)	-	-	13,872,090	13,839,337
Debt securities (iii)	13,872,090	13,839,337	-	-
Third party borrowings (iv)	1,000,000	1,000,000	1,000,000	1,000,000
	<u>40,631,891</u>	<u>40,145,591</u>	<u>40,164,520</u>	<u>39,570,254</u>
<b>Total borrowings</b>	<u>49,385,474</u>	<u>48,156,532</u>	<u>46,724,593</u>	<u>44,646,277</u>

The bank loans and the debt 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	
	2016 €	2015 €	2016 €	2015 €
<b>Face value of bank loans</b>				
Bank loans	31,060,730	29,829,929	30,485,162	29,151,650
Issue costs	(86,548)	(86,548)	(86,548)	(86,548)
Accumulated amortisation	57,700	49,044	57,700	49,044
Net book amount	<u>(28,848)</u>	<u>(37,504)</u>	<u>(28,848)</u>	<u>(37,504)</u>
Amortised cost	<u>31,031,882</u>	<u>29,792,425</u>	<u>30,456,314</u>	<u>29,114,146</u>
<b>Face value of debt securities/related party loans</b>				
Debt securities/Related company loans	13,984,000	13,984,000	13,984,000	13,984,000
Issue costs	(327,540)	(327,540)	(327,540)	(327,540)
Accumulated amortisation	215,630	182,877	215,630	182,877
Net book amount	<u>(111,910)</u>	<u>(144,663)</u>	<u>(111,910)</u>	<u>(144,663)</u>
Amortised cost	<u>13,872,090</u>	<u>13,839,337</u>	<u>13,872,090</u>	<u>13,839,337</u>

- (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 31<sup>st</sup> December 2016 amounted to €6,198,790 (2015: €6,198,790) for the Group, and €2,950,000 (2015: €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 7.0% per annum. The loan is due for repayment in full on the 31<sup>st</sup> May 2020.

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Borrowings

- (iii) This represents debt security, issued by Eden Finance p.l.c., amounting to an aggregate principal amount of €13,984,000 (2015: €13,984,000) Bonds (2017-2020), having a nominal value of €100 each, bearing interest at 6.6%. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 10<sup>th</sup> May 2010 and are listed on the Malta Stock Exchange. The quoted market price as at 31<sup>st</sup> December 2015 for the 6.6% Bonds 2017-2020 was €102.78 (2015:€106.52).

In accordance with the requirements of the prospectus, the Group is required to, with effect from the end of the financial year 2012, build a sinking fund the value of which will by the redemption date be equivalent to 50% of the value of the issued Bonds. This is expected to create a cash reserve from the guarantor's annual surplus to meet part of the redemption proceeds on the redemption date.

The sinking fund proceeds shall only be applied for the purpose of redeeming the equivalent amount of outstanding Bonds on the redemption date. Prior to the redemption date the Group may request the Custodian to use the proceeds of the sinking fund:

- for the purpose of buying back Bonds for cancellation in terms of section 6.9 of the Securities Note; or
- for investing in debt securities issued or guaranteed by any sovereign state within the Eurozone or which is a member of the OECD or other debt securities which are rated as AAA by a recognised international rating agency, without incurring exchange risk, at the lower of cost and market value; or
- for investing in as balanced and diversified a portfolio of assets as can reasonably be considered practicable by the Custodian in the then current market and overall economic conditions

On 5<sup>th</sup> December 2012 the Group engaged Charts Investment Management Services Limited as Sinking Fund Custodian. The Group cancelled the following bonds through a buyback of these bonds by Eden Finance p.l.c.:

- On 27<sup>th</sup> December 2012 the Group cancelled 3,690 bonds with a nominal value of €100 each.
- On 12<sup>th</sup> June 2013 the Group cancelled 4,980 Bonds with a nominal value of €100 each.
- On 12<sup>th</sup> December 2014 the Group cancelled 1,490 Bonds with a nominal value of €100 each.

- (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	
	2016 €	2015 €	2016 €	2015 €
Interest rate exposure:				
At floating rates	29,113,384	26,117,195	26,452,503	22,606,940
At fixed rates	19,272,090	21,039,337	19,272,090	21,039,337
Interest free	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total borrowings</b>	<b>49,385,474</b>	<b>48,156,532</b>	<b>46,724,593</b>	<b>44,646,277</b>

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Weighted average effective interest rates at the balance sheet date:				
Bank overdrafts	2.93	3.20	3.29	4.41
Bank loans – variable rate	3.30	3.32	3.26	3.26
Bank loans – fixed rate swap	6.11	6.11	6.11	6.11
Bond issue/ related party loan	6.60	6.60	7.00	7.00

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Maturity of long term borrowings:				
Between 1 and 5 years	33,131,517	35,639,679	32,664,146	35,172,479
Over 5 years	7,500,374	4,505,912	7,500,374	4,397,775
	<b>40,631,891</b>	<b>40,145,591</b>	<b>40,164,520</b>	<b>39,570,254</b>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Share capital

	Company	
	2016 €	2015 €
<b>Authorised share capital</b>		
12,057,600 (2015: 7,033,600) "A" Ordinary shares of €2.50 each	30,144,000	17,584,000
11,942,400 (2015: 6,966,400) "B" Ordinary shares of €2.50 each	29,856,000	17,416,000
	<u>60,000,000</u>	<u>35,000,000</u>
	Company	
	2016 €	2015 €
<b>Issued and called-up share capital</b>		
12,057,600 (2015: 7,033,600) "A" Ordinary shares of €2.50 each	30,144,000	17,584,000
11,942,400 (2015: 6,966,400) "B" Ordinary shares of €2.50 each	29,856,000	17,416,000
	<u>60,000,000</u>	<u>35,000,000</u>

On the 20<sup>th</sup> May 2016, the Company's authorised and issued share capital increased to €60,000,000 following a resolution in writing by all the shareholders of the Company for a share issue of €25,000,000 divided into 5,024,000 "A" Ordinary shares of €2.50 each and 4,976,000 "B" Ordinary shares of €2.50 each. The consideration for this issue was paid in full by way of capitalisation of revaluation reserve.

### 24. Revaluation reserve

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
As at 1 <sup>st</sup> January	37,778,326	7,082,118	34,023,218	5,515,264
Gain on revaluation of property	16,396,317	32,997,405	17,148,042	30,688,594
Deferred tax liability arising on revaluation of property	(1,917,041)	(3,474,245)	(2,004,961)	(3,269,312)
Depreciation on revalued buildings	(862,024)	(416,145)	(791,126)	(388,718)
Effect of change in tax law enacted in Malta	-	1,589,193	-	1,477,390
Share issue by way of capitalisation of revaluation reserve	(25,000,000)	-	(25,000,000)	-
As at 31 <sup>st</sup> December	<u>26,395,578</u>	<u>37,778,326</u>	<u>23,375,173</u>	<u>34,023,218</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

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### 25. Dividends paid

	Company	
	2016 €	2015 €
Final dividend	-	-
Interim dividend	1,800,000	-
Total net dividend	<u>1,800,000</u>	<u>-</u>
Euro per share (net)	€ 0.075	€ 0.000

A net interim dividend of €800,000 in respect of the year ended 31<sup>st</sup> December 2016 was announced on 15<sup>th</sup> December 2016 and credited to the accounts of the ordinary shareholders on the same date.

A net interim dividend of €1,000,000 in respect of the year ended 31<sup>st</sup> December 2016 was announced on 30<sup>th</sup> December 2016 and credited to the accounts of the ordinary shareholders on the same date.

### 26. Cash and cash equivalents

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Cash in hand and bank	383,753	329,519	25,870	24,799
Bank overdraft	(3,481,502)	(3,524,770)	(1,396,189)	(692,794)
	<u>(3,097,749)</u>	<u>(3,195,251)</u>	<u>(1,370,319)</u>	<u>(667,995)</u>

# EDEN LEISURE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 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	
	2016	2015	2016	2015
	€	€	€	€
<b>Turnover</b>				
Operating fees	-	-	6,303,902	6,275,902
Use of property	-	-	69,881	69,881
Accounting services	18,600	24,000	-	-
Other	157,386	-	-	4,900
	<u>175,986</u>	<u>24,000</u>	<u>6,373,783</u>	<u>6,350,683</u>
<b>Other operating expenses</b>				
Rent	16,500	19,500	16,500	19,500
<b>Finance costs</b>				
Interest on other loans	-	-	978,880	978,880

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 7 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	
	2016 €	2015 €	2016 €	2015 €
Authorised but not contracted	-	1,025,000	-	1,025,000
Contracted but not provided for	3,659,483	7,723,772	3,604,582	7,723,772

The above capital commitments will be financed through additional bank borrowings which, as at the balance sheet date, have been sanctioned by the lenders but not yet drawn down.

#### 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	
	2016 €	2015 €	2016 €	2015 €
Not later than 1 year	244,262	231,202	-	-
Later than 1 year and not later than 5 years	838,654	922,235	-	-
Later than 5 years	319,974	480,655	-	-
	1,402,890	1,634,092	-	-

#### 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	
	2016 €	2015 €	2016 €	2015 €
Not later than 1 year	980,903	942,243	936,236	898,577
Later than 1 year and not later than 5 years	3,010,037	3,175,951	2,804,037	2,978,951
Later than 5 years	2,607,499	3,293,413	2,534,499	3,166,746
	6,598,439	7,411,607	6,274,772	7,044,274

### 29. Contingent liabilities

At 31<sup>st</sup> December 2016, the Group and Company had contingent liabilities in respect of:

- (i) Guarantees and performance bonds amounting to €6,569 (2015: €6,569) given to third party creditors.
- (ii) A guarantee amounting to €1,400,000 (2015: €1,400,000) in favour of HSBC in relation to the interest rate swap.
- (iii) A garnishee amounting to € 37,000 (2015: € 37,000) in relation to a pending litigation.

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

At 31<sup>st</sup> December 2016 guarantees amounting to €7,667,613 (2015: €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 which has been mitigated with a 5 year Interest Rate Swap on €5,400,000 of its bank borrowing. 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 +/- €290,000.

#### 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	
	2016	2015	2016	2015
	€	€	€	€
<b>Carrying amounts</b>				
Loans and receivables	730,000	1,050,000	730,000	1,050,000
Trade and other receivables	4,107,980	3,452,180	5,345,268	5,265,062
Cash at hand and in bank	383,753	329,519	25,870	24,799
	<u>5,221,733</u>	<u>4,831,699</u>	<u>6,101,138</u>	<u>6,339,861</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

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### 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	
	2016	2015
	€	€
91 – 120 days	289,867	171,400
Over 120 days	553,475	392,741
	<hr/>	<hr/>
	843,342	564,141
	<hr/>	<hr/>

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	
	2016	2015
	€	€
Local receivables	41,833	51,457
Foreign receivables	15,733	32,848
	<hr/>	<hr/>
	57,566	84,305
	<hr/>	<hr/>

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

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### 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.

	2016	Group 2015
	€	€
<b>Within one year</b>		
Trade and other payables	11,958,670	10,931,252
Bank and other borrowings	9,561,881	8,898,738
Financial liabilities at FVTPL	126,873	195,503
Debt securities	890,190	890,190
	<u>22,537,614</u>	<u>20,915,683</u>
<b>Between 2 and 5 years</b>		
Trade and other payables	808,271	44,695
Bank and other borrowings	20,311,725	22,676,765
Financial liabilities at FVTPL	-	115,235
Debt securities	16,561,768	17,386,449
	<u>37,681,764</u>	<u>40,223,144</u>
<b>Over 5 years</b>		
Bank and other borrowings	8,126,782	4,801,692
	<u>8,126,782</u>	<u>4,801,692</u>
	<u>68,346,160</u>	<u>65,940,519</u>

#### Fair values

At 31 December 2016 and 31 December 2015 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.