# EDEN LEISURE GROUP LIMITED

## FINANCIAL STATEMENTS

***FOR THE YEAR ENDING 31st DECEMBER 2019***

**Company No. C- 4529**

# EDEN LEISURE GROUP LIMITED

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# EDEN LEISURE GROUP LIMITED

## REPORT OF THE DIRECTORS

***FOR THE YEAR ENDED 31ST DECEMBER 2019***

| | |
|---|---|
| Directors:- | Ian De Cesare (Chairman and Non-Executive Director of the Board)<br>Kevin De Cesare (Executive Director)<br>Paul Mercieca (Non-Executive Director)<br>Victor Spiteri (Non-Executive Director)<br>David Zahra (Company Secretary) |
| Bankers:- | HSBC Bank Malta p.l.c.,<br>Commercial Branch,<br>Republic Street,<br>Valletta<br><br>Bank of Valletta p.l.c.,<br>58, Zachary Street,<br>Valletta. |
| Registered Office:- | Eden Place,<br>St. Augustine Street,<br>St. George's Bay. |

The directors of Eden Leisure Group Limited present their report, together with the audited financial statements of the Group and Company for the year ended 31st December 2019.

**Principal Activities**

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

**Review of Business and Financial Position**

In 2019, Group revenues grew by 10% reaching €45m and operating Profit increasing by 38% to €17.6m which includes the sale of the Intellectual Property of Cynergi and 897 Bay.

Both the Hospitality and the Entertainment segment contributed to the growth throughout the year. Tourism to the island continued to increase, and while Q1 and Q2 proved to be slightly disappointing, the results in the last two quarters picked up significantly especially with regards to the conference and incentive business which was exceptionally strong in September, October and November. The InterContinental Malta and the Holiday Inn Express performed well and continued to grow on the previous year. The two properties continued to provide synergies in operating efficiencies. Together the Hospitality sector grew in revenue by 8%.

The InterContinental Malta improved on the previous year and performed better than the five star industry average. The industry in this category registered a decrease in full year occupancy of 0.9% and a 0.3% reduction in average daily rate. Overall, industry GOP also reduced by 2.7%. In 2018 the management embarked on a cost engineering exercise to streamline operational costs. This successfully saw considerable reductions in expenses which contributed significantly to the increase in GOP by some 25% over 2018. As a comparison to the industry, InterContinental Malta saw an increase in revenue of 7%. The Holiday Inn Express registered increases in revenue of 13% and GOP up by 18%.

The Entertainment segment performed significantly above budget and against the previous year which resulted in an increase in revenue of 15% over 2018 to €11.6m. As the economy continued to grow, the resultant increase in disposable income fuelled significant growth in this sector of the business.

Cynergi Health and Fitness Club continued to grow its membership base on the previous year and continued to invest in its product. Cinema continued from strength to strength. One contributing factor was the closure of one of the other main cinema complexes in Malta which has since reopened in 2020, albeit on a smaller scale. 89.7 Bay continued to grow year on year and had a great year with a 23% improvement in profitability and its status as the most listened to station continued to be confirmed throughout the year through independent surveys conducted by the Broadcasting Authority. The Eden SuperBowl grew with significant improvements in revenue and GOP.

**Review of Business and Financial Position (continued)**
The Group's Esports operations continued throughout the year. Local initiatives such as the Esports Centre at the Eden SuperBowl attracted thousands of players to its terminals and larger local events at the Arena, such as the Nova, continued to attract hundreds of participants for the event. Throughout the year the management continued attracting top teams to Malta to stay at its hotels for Bootcamps. Other international activities were developed throughout the year. The activities culminated in the Champions Cup held in December where 8 top teams competed for a prize fund of $360,000. The event drew 33.5m unique viewers and was broadcast in 10 different languages. Whilst this new business venture is growing year on year, Esports is still to show a profit for the Group.

Throughout the year the Group paid €1.08m in royalty fees for the use of the intellectual property of 897 Bay and Cynergi.

The Group's interest cover this year stood at 6.4 times.

**Dividends**
The statement of comprehensive income is set out on page 10-11. During the year a distribution of an interim dividend was made on 5th June 2019 amounting to €462,400 and a second interim on 28th August 2019 amounting to €2,587,765. The directors do not propose the payment of a final dividend.

**Investments**
The Group continued its significant investment in the InterContinental Malta hotel product through an aggressive refurbishment programme which saw the completion of the refurbishment of its bedrooms and corridors. The hard refurbishment of its bathrooms is expected to be 70% completed by the end of 2020 and the rest will be completed by mid-2021. The Group created a new lobby bar which opened in February 2020 and in a normalised year would be expected to produce significant revenue.

In December, the Eden Cinemas completed the much awaited refurbishment on its lobby which required an investment of some €900,000. This investment included the complete overhaul of the cinema's electrical and connectivity backbone, introduced Electronic Ticketing Machines and maximized the usable space in the lobby by some 40%.

**Outlook**
2020 was envisioned to be another year of growth in both the Entertainment and the Hospitality sectors. However the onset of COVID–19 has had a very negative effect on business the world over. January was a positive month for both our sectors against budgets, however by February, the hotels started to see significant cancellations in its confirmed business and given the uncertainty of the travel industry, bookings reduced drastically to nearly zero by early March. February proved to be a negative month for the InterContinental, however it remained positive for the Entertainment industry. March was the negative turning point for all of the Groups segments. The hotels continued to see cancellations throughout the month leaving the Group no option but to close the Holiday Inn Express on the 20th of March, and the InterContinental Malta was closed on the 31st of March. The biggest blow to the tourism industry to Malta, although deemed necessary from a health viewpoint, was when the government felt the need to close our airport on the 20th March. This effectively dried up any possible source of visitors to the Island. Cynergi, Cinemas and SuperBowl were mandated to close by Government of Malta on the 16th March although business had all but evaporated in the preceding weeks. The only segment of the business that is currently operating is 897 Bay which has not been forced to close down, however, it is to be noted that advertising revenues have largely been cancelled for the coming months as companies around the island are forced to stop trading.

The Directors and senior management have been working tirelessly since February to ensure that the Company is able to survive this pandemic, the like that has not been experienced before in our lifetime. Management has been actively working on processes and procedures to mitigate against closure particularly with regards to payroll where a number of measures including a reduced working week and the using up of annual leave were enacted. As revenues reduce to zero, the Group's operational expenses are being reduced through ongoing discussions with suppliers and payroll is now also being supported through a subsidy offered by Government.

**Outlook (continued)**
Whilst the true extent and length of this crisis cannot as yet be accurately assessed, the Company will be paying its Bond interest for 2020 due on the 28 of April this year and through its existing cash flow, it is further expected that it can meet its interest for the next payment due on the 28 of April 2021. Eden Leisure group's history shows a company that has been innovative whilst at the same time cautious and prudent in its financial management.

The Group welcomed the measures offered by the government to support wages of its staff as a positive assistance to reduce our largest expense, payroll, without which, mass redundancies would have been inevitable. Deferment of taxes is also helpful although more is required and for a longer period.

In the meantime, management of the hotel is actively looking at utilising its staffing resources to carry out previously planned improvements in its properties and projects that were difficult to undertake while the hotels were operational. It is the aim of the Directors to reduce non-essential costs to a bare minimum while at the same time, as much as it is seen to be prudent, to complete the upgrading of the property.

The true extent of the effects of the crisis will be based on the actual time of the disruption. While this is impossible to gauge accurately at this moment, management, along with the Group directors, has stressed cash flow and liquidity to ride this period of no revenue and reduced existing costs. It is reasonably expecting that its entertainment and restaurant sectors should be able to resume some form of operations by July/August, however, it expects that tourism will remain hard hit for a longer period. Tourism is dependent on the operation of the airport, airlines and the state of the pandemic in feeder markets. It is our view that this situation would normalise well after summer and might require a reopening in 2021. In previous years, the group accumulated substantial cash reserves that will allow the Group to remain liquid and honour its commitments to Bondholders, creditors and employees. The Company's reassessment of projections and cash flow have taken into account the full extent of the benefit of measures introduced by the Government of Malta and credit institutions aimed at assisting entities in the current crises, including the reimbursement of an element of employee's wages, deferral of direct, indirect and payroll taxes and NI contributions, as well as moratoria on capital and interest repayments due on bank borrowings.

**Going Concern**
The Directors reviewed the Group's and the Company's operational budgets and cash flow forecasts. Despite the difficult year ahead and in light of its strong financial position the directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future.

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

**Audit Committee**
This Audit Committee is made up of two independent non-executive directors as well as one other non-executive member and has performed this dual role since 2016. The committee members are Paul Mercieca, chairman and members Victor Spiteri and Andrea Gera de Petri. The Audit Committee met officially 5 times to discuss matters pertaining to the company and Eden Finance plc. The Audit Committee's Terms of Reference was amended in 2019 to include changes in the regulations related to reporting of Related Party Transactions.

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

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

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

Today the largest risks are the crisis derived from the COVID-19 pandemic which has ground most businesses worldwide to a halt, and the length of time it will take to rebound. The Group has made its assumptions, however it would be imprudent to not review these assumptions on a month by month basis based on the current situation in Malta and globally.

**Corporate Social Responsibility**
Throughout 2019, a number of CSR activities were organized to enable the company to give back to the community and provide a positive social value for all its employees. Two Blood Donation drives were held during which the mobile Blood Donation unit was parked outside company premises. Employees and the general public were encouraged to donate blood through announcements on 89.7 Bay. Donations of school books, bags and stationary supplies were made to the children of St Joseph Home, Zabbar, Fra Diegu Home and Dar Merhba Bik. Televisions were donated to the Ursuline Creche and the Alberto Marvelli Shelter for Homeless Youth. Employees of the group took part in the football marathon held in aid of Puttinu cares.

During October, the Group organized a number of activities in order to raise funds in aid of Pink October. These included 'Bowl for Pink' at Eden SuperBowl, premier screening of Maleficent 2 at Eden Cinemas, and Pink Paddle Power fitness class at Cynergi. Proceeds from these activities were then donated to the Marigold Foundation. In December, the Group donated to the Children's Dreams organization to fulfil the wishes of children whose families face various social difficulties or are being raised in children's Homes. Employees of the Group also donated Christmas presents for all the children in Fra Diegu Home.

Environmental Sustainability
The Group also continued to focus its CSR efforts on environmental issues. It continued its nation-wide environmental awareness building campaign, Making Malta Green & Clean utilising the various media at its disposal with the greatest focus on radio and social media. The campaign's aim is to encourage people to behave more responsibly when it comes to the environment and live a more sustainable lifestyle.

Eden Leisure's 'Green Committee' organised several activities for Eden Leisure employees such as Meatless Mondays and Car-Pool days. It organized a clothing collection drive, gathering unwanted clothing from employees, sorting them and redistributing them to people in need; it purchased several hundred reusable shopping bags and had them distributed at a local vegetable market, by the Company's popular radio presenters with the aim of raising awareness of the harmfulness of using plastic bags. These initiatives were videoed and went viral using our very strong social platforms.

The company was awarded the prize for the European Week for Waste Reduction in 2018 where it organised the sand-sifting of the whole of Golden Bay and also participated in the EWWR for 2019 using the above mentioned initiatives. The company also won the Management Award for Sustainable Development towards the end of 2019, organized by the Centre for Cleaner Technology, the Centre for Climate Change and the University of Malta, for its various green initiatives.

Where possible, the company has replaced several of its consumables used by its various operations, with sustainable alternatives, such as plastic straws and spoons as well as various other items. It is continuing to source other sustainable products to run as green an operation as possible.

In November, the company bought and planted 150 indigenous trees and dedicated each tree to its employees' children, with the aim of 'Making Malta Greener for Future Generations'. It is working hand in hand with Ambient Malta to have these trees cared for and watered for the next two years.

The company invested over €50k in an intelligent system to properly regulate the cooling of the cinemas, which will allow for energy efficiency as well as cost savings. The estimated yearly savings on this investment is of 80 000kWh or 0.85% of the Group overall electrical requirement.

**Corporate Social Responsibility (continued)**
Another investment embarked by the company is that of installing circa 700 UV solar glass panels strategically placed within the InterContinental Malta in order to reduce the internal heat generated during the hot summer period. This will result in solar energy being rejected and consequently reducing the load on the AC system. At a total cost of €55k, this system is expected to yield a projected saving of 220,500kWh of energy or 2.3% of total energy required by the hotel InterContinental.

During 2019 the Group generated 72,355kWh in electricity from its own solar panel installations equating to around 0.8% of the Group's overall electricity requirement.

**Investing in Heritage**
In 2019, Eden Leisure Group set up the Maurice and Cettina Foundation designed to allocate an amount of funds annually to heritage projects. For this and next year, the group has allocated funds amounting to €50,000 to the restoration of the Guthrie Bridge, under the protection of Fondazzjoni Wirt Artna. This one-of-a-kind mechanical bridge at Fort Rinella in Kalkara was built in 1869 and has since fallen into such disrepair that it was discarded and is now being completely rebuilt using the original methods and materials of the time.

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

Performance appraisals are done on an annual basis, out of which personal development plans are derived, with particular emphasis on High Performing individuals. Development initiatives vary but mainly focus on aspects of driving results and leadership. One key training initiative that targets this aspect is a six months program based on six key leadership competencies. In 2019 the Group continued with a significant training and skilling program for all its employees. The Entertainment arm of the Group put efforts into creating a Management Development Program for its General Managers and mid-level management to follow. This included sessions on effective leadership, strategic thinking, emotional intelligence, conflict resolution, time management and stress management. All operational employees underwent Customer Care training. Employees also followed courses on Advanced Digital Marketing, Power BI, Business English Writing Skills and Mental Health First Aid. On the Hospitality side of the Group extensive training was also provided. Employees were given Pathogen and Food Allergen training, Food Handling, First Aid and CPR training, CSA and GDRP related training and Performance Management training. A number of employees also took part in Telephone Etiquette workshops. The InterContinental Malta also took part in a national educational programme which offered secondary school students the opportunity to witness various operational procedures in the hotel giving them exposure into the workings of the tourism industry. The hotel organized a 'Celebrate Service week' for its employees in July which included a football tournament, daily breakfasts and goodies, fitness classes, lunches and a summer BBQ.

With the 2020 reality of COVID-19, one of the Group's main concern is to take care of its employees to ensure a fair wage during these difficult times. Those who can, are working remotely from home and some of those employees who cannot perform their duties during closure will be assisting with additional maintenance during this closure period. 897 DJs are able to record shows from home and management are engaging with its staff and employees remotely in order to undertake projects which had been put on the back burner while the company was in full operation.
Staff training is still being coordinated albeit online and our HR function is actively working on programmes that are easily adaptable to online learning.

**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;

**Directors' responsibilities (continued)**

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 April 2020 and signed on its behalf by:

Mr. Ian De Cesare
**Chairman of the Board**

Mr. Kevin De Cesare
**Managing Director**

VCA 50 YEARS OF SERVICE
CERTIFIED PUBLIC ACCOUNTANTS

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Vat No. MT 2158 - 7124

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Eden Leisure Group Limited, set out on pages 9 to 63, which comprise the Group's and the Company's statement of financial position as at 31 December 2019, and the statement of profit and loss and other 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.

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 2019, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to note 1 and note 36 to the financial statements which describe the effects of the COVID-19 pandemic on the Company and Group's operations subsequent to the year end 31 December 2019. Our opinion is not modified in respect of this matter.

### Independence

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

### Other Information

The directors are responsible for the other information. The other information comprises the company information and the Report of the Directors but does not include the financial statements or our auditors' report thereon. Except for our opinion on the directors' report in accordance with the Maltese Companies Act (Cap. 386), our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
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. If based on the work performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Report of the Directors, we also considered whether the Report of the Directors includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work undertaken in the course of the audit, in our opinion:
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with the Maltese Companies Act (Cap.386).

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# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

# EDEN LEISURE GROUP LIMITED

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.

**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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CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

# EDEN LEISURE GROUP LIMITED

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

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

**Report on Other Legal and Regulatory Requirements**
Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:
- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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

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

**23 April 2020**

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF PROFIT OR LOSS
*FOR THE YEAR ENDED 31ST DECEMBER 2019*

| | Notes | Group 2019 | Group 2018 | Company 2019 | Company 2018 |
|---|---|---|---|---|---|
| | | € | € | € | € |
| **Revenue** | 4 | **45,003,131** | *41,027,241* | **12,084,434** | *12,115,313* |
| **Costs** | | | | | |
| Direct costs | 7 | **(18,867,661)** | *(17,903,545)* | **-** | *-* |
| Other operating expenses | 7 | **(8,122,186)** | *(6,806,888)* | **(405,514)** | *(227,379)* |
| | | **(26,989,847)** | *(24,710,433)* | **(405,514)** | *(227,379)* |
| **Gross profit** | | **18,013,284** | *16,316,808* | **11,678,920** | *11,887,934* |
| Other operating income | 5 | **1,044,885** | *882,247* | **1,055,085** | *882,247* |
| Fair value gains on investment property | 13 | **-** | *5,000,000* | **-** | *5,000,000* |
| Loss on sale of fixed assets | | **(70,545)** | *(130,335)* | **(58,290)** | *(130,335)* |
| Profit on sale of intellectual property | 35 | **8,600,000** | *-* | **8,600,000** | *-* |
| Administrative expenses | 7 | **(5,482,028)** | *(5,128,479)* | **(727,619)** | *(774,306)* |
| Depreciation and amortisation | | **(4,537,720)** | *(4,181,882)* | **(4,270,618)** | *(4,072,639)* |
| **Operating profit** | | **17,567,876** | *12,758,359* | **16,277,478** | *12,792,901* |
| Share of losses in associates and joint ventures | | **(704)** | *(450)* | **-** | *-* |
| Gain on financial instruments at fair value through profit or loss | 19 | **-** | *12,500* | **-** | *12,500* |
| Finance costs | 6 | **(2,114,662)** | *(2,124,651)* | **(2,111,325)** | *(2,204,651)* |
| | | **(2,115,366)** | *(2,112,601)* | **(2,111,325)** | *(2,192,151)* |
| **Profit before taxation** | | **15,452,510** | *10,645,758* | **14,166,153** | *10,600,750* |
| **Tax expense** | 9 | **(2,795,081)** | *(2,108,716)* | **(2,329,145)** | *(2,110,274)* |
| **Profit for the year** | | **12,657,429** | *8,537,042* | **11,837,008** | *8,490,476* |

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF OTHER COMPREHENSIVE INCOME
*FOR THE YEAR ENDED 31ST DECEMBER 2019*

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | *2018* | **2019** | *2018* |
| | | **€** | *€* | **€** | *€* |
| **Profit for the year** | | **12,657,429** | *8,537,042* | **11,837,008** | *8,490,476* |
| **Other comprehensive income** | | | | | |
| **Items that may be reclassified to profit or loss:** | | | | | |
| Changes in fair value of debt instruments at fair value through other comprehensive income | 19 | **5,750** | - | **5,750** | - |
| **Items that will not be subsequently reclassified to profit or loss:** | | | | | |
| Revaluation surplus net of deferred tax | 25 | - | *7,163,370* | - | *7,078,370* |
| **Other comprehensive income for the year, net of tax** | | **5,750** | *7,163,370* | **5,750** | *7,087,370* |
| **Total comprehensive income for the year** | | **12,663,179** | *15,700,412* | **11,842,758** | *15,568,846* |
| **Profit attributable to:** | | | | | |
| Equity holders of the company | | **12,798,523** | *8,585,451* | **11,837,008** | *8,490,476* |
| Non-controlling interest | | **(141,094)** | *(48,409)* | - | - |
| | | **12,657,429** | *8,537,042* | **11,837,008** | *8,490,476* |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the company | | **12,804,273** | *15,748,821* | **11,842,758** | *15,568,846* |
| Non-controlling interest | | **(141,094)** | *(48,409)* | - | - |
| | | **12,663,179** | *15,700,412* | **11,842,758** | *15,568,846* |

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION
*AS AT 31ST DECEMBER 2019*

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | *2018* | **2019** | *2018* |
| **ASSETS** | | **€** | *€* | **€** | *€* |
| **Non-current assets** | | | | | |
| Intangible assets | | - | *2,340* | - | *2,340* |
| Property, plant and equipment | 11 | **153,463,598** | *154,842,947* | **146,713,734** | *148,034,650* |
| Right-of-use assets | 12 | **1,746,853** | - | - | - |
| Investment property | 13 | **17,200,000** | *17,200,000* | **17,200,000** | *17,200,000* |
| Investment in subsidiaries | 14 | - | - | **2,575,950** | *2,575,950* |
| Investment in associates and joint ventures | 14 | **718,389** | *719,093* | **575,048** | *575,048* |
| Trade and other receivables | 15 | **7,212,562** | *720,924* | **7,212,562** | *720,924* |
| | | **180,341,402** | *173,485,304* | **174,277,294** | *169,108,912* |
| **Current assets** | | | | | |
| Inventories | 16 | **2,235,578** | *2,195,837* | **1,866,444** | *1,881,849* |
| Trade and other receivables | 15 | **5,584,425** | *3,846,405* | **6,182,358** | *7,522,468* |
| Other financial assets at amortised cost | 17 | - | *150,000* | **255,000** | *150,000* |
| Deposits | 18 | **2,000,000** | - | **2,000,000** | - |
| Financial instruments at fair value through profit or loss | 19 | - | *512,500* | - | *512,500* |
| Financial assets at fair value through other comprehensive income | 19 | **855,750** | - | **855,750** | - |
| Cash at bank and in hand | | **8,247,875** | *5,526,620* | **4,535,836** | *2,966,220* |
| | | **18,923,628** | *12,231,362* | **15,695,388** | *13,033,037* |
| **Total Assets** | | **199,265,030** | *185,716,666* | **189,972,682** | *182,141,949* |

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF FINANCIAL POSITION
*AS AT 31ST DECEMBER 2019*

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | *2018* | **2019** | *2018* |
| | | **€** | *€* | **€** | *€* |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 24 | **60,000,000** | *60,000,000* | **60,000,000** | *60,000,000* |
| Revaluation reserve | 25 | **33,564,698** | *33,558,948* | **30,459,293** | *30,453,543* |
| Fair value gain reserve | 26 | **4,989,734** | *4,989,734* | **4,989,734** | *4,989,734* |
| Retained earnings | | **14,759,523** | *5,011,165* | **20,973,586** | *12,186,743* |
| **Total Equity attributable to holders of the company** | | **113,313,955** | *103,559,847* | **116,422,613** | *107,630,020* |
| Non-controlling interest | | **(190,318)** | *(49,224)* | - | - |
| **Total Equity** | | **113,123,637** | *103,510,623* | **116,422,613** | *107,630,020* |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 21 | **846,473** | *816,316* | **596,151** | *384,614* |
| Borrowings | 23 | **48,784,498** | *51,567,061* | **48,784,498** | *51,567,061* |
| Lease liabilities | 12 | **1,729,694** | - | - | - |
| Deferred tax liabilities | 20 | **16,806,287** | *14,542,685* | **16,134,932** | *13,889,623* |
| | | **68,166,952** | *66,926,062* | **65,515,581** | *65,841,298* |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | **13,445,975** | *12,955,233* | **5,141,421** | *6,348,511* |
| Current income tax liability | 22 | **529,909** | *49,502* | **82,267** | *46,874* |
| Borrowings | 23 | **3,888,042** | *2,275,246* | **2,810,800** | *2,275,246* |
| Lease liabilities | 12 | **110,515** | - | - | - |
| | | **17,974,441** | *15,279,981* | **8,034,488** | *8,670,631* |
| **Total Liabilities** | | **86,141,393** | *82,206,043* | **73,550,069** | *74,511,929* |
| **Total Equity and Liabilities** | | **199,265,030** | *185,716,666* | **189,972,682** | *182,141,949* |

These financial statements were approved and authorised for issue by the Board of Directors on the 23 April 2020 and signed on its behalf by:-

Mr. Ian De Cesare - ***Chairman***

Mr. Kevin De Cesare - ***Managing Director***

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 31ST DECEMBER 2019*

### Group

| | Share capital | Revaluation reserve | Fair value gains reserve | Retained earnings | Total | Non-controlling Interest | Total |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| **Balance at 31st December 2017** | **60,000,000** | **26,395,578** | **489,734** | **4,437,750** | **91,323,062** | **(815)** | **91,322,247** |
| Profit for the year | - | - | - | *8,585,451* | *8,585,451* | *(48,409)* | *8,537,042* |
| Revaluation surplus net of deferred tax | - | *7,163,370* | - | - | *7,163,370* | - | *7,163,370* |
| **Total comprehensive income** | - | *7,163,370* | - | *8,585,451* | *15,748,821* | *(48,409)* | *15,700,412* |
| Net transfers of FV gains on IP | - | - | *4,500,000* | *(4,500,000)* | - | - | - |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends | - | - | - | *(3,512,036)* | *(3,512,036)* | - | *(3,512,036)* |
| **Balance at 31st December 2018** | **60,000,000** | **33,558,948** | **4,989,734** | **5,011,165** | **103,559,847** | **(49,224)** | **103,510,623** |
| Profit for the year | - | - | - | *12,798,523* | *12,798,523* | *(141,094)* | *12,657,429* |
| Changes in FV through OCI | - | *5,750* | - | - | *5,750* | - | *5,750* |
| **Total comprehensive income** | - | *5,750* | - | *12,798,523* | *12,804,273* | *(141,094)* | *12,663,179* |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends | - | - | - | *(3,050,165)* | *(3,050,165)* | - | *(3,050,165)* |
| **Balance at 31st December 2019** | **60,000,000** | **33,564,698** | **4,989,734** | **14,759,523** | **113,313,955** | **(190,318)** | **113,123,637** |

### Company

| | Share capital<br>€ | Revaluation reserve<br>€ | Fair value gains reserve<br>€ | Retained earnings<br>€ | Total<br>€ |
|---|---|---|---|---|---|
| **Balance at 31st December 2017** | **60,000,000** | **23,375,173** | **489,734** | **11,708,303** | **95,573,210** |
| Profit for the year | - | - | - | *8,490,476* | *8,490,476* |
| Revaluation surplus net of deferred tax | - | *7,078,370* | - | - | *7,078,370* |
| Net transfers of FV gains on IP | - | - | *4,500,000* | *(4,500,000)* | - |
| **Total comprehensive income** | - | *7,078,370* | *4,500,000* | *3,990,476* | *15,568,846* |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends | - | - | - | *(3,512,036)* | *(3,512,036)* |
| **Balance at 31st December 2018** | **60,000,000** | **30,453,543** | **4,989,734** | **12,186,743** | **107,630,020** |
| Profit for the year | - | - | - | *11,837,008* | *11,837,008* |
| Changes in FV through OCI | - | *5,750* | - | - | *5,750* |
| **Total comprehensive income** | - | *5,750* | - | *11,837,008* | *11,842,758* |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends | - | - | - | *(3,050,165)* | *(3,050,165)* |
| **Balance at 31st December 2019** | **60,000,000** | **30,459,293** | **4,989,734** | **20,973,586** | **116,422,613** |

# EDEN LEISURE GROUP LIMITED

## STATEMENT OF CASH FLOWS
*FOR THE YEAR ENDED 31ST DECEMBER 2019*

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2019** | *2018* | **2019** | *2018* |
| | | **€** | *€* | **€** | *€* |
| **Cashflow from operating activities** | | | | | |
| Profit before taxation | | **15,452,510** | *10,645,758* | **14,166,153** | *10,600,750* |
| Adjustments for: | | | | | |
| Depreciation and amortisation | | **4,537,720** | *4,181,882* | **4,270,618** | *4,072,639* |
| Finance costs | | **2,067,536** | *2,077,525* | **2,064,199** | *2,157,525* |
| Amortisation of finance issue costs | | **47,126** | *47,126* | **47,126** | *47,126* |
| Loss on disposal of fixed assets | | **70,545** | *130,335* | **58,290** | *130,335* |
| Fair value movement in financial instruments at fair value through profit or loss | | **-** | *(12,500)* | **-** | *(12,500)* |
| Impairment of financial assets | | **81,843** | *12,458* | **70,093** | *-* |
| Share of results of associates | | **704** | *450* | **-** | *-* |
| Difference on exchange | | **-** | *(319)* | **-** | *(319)* |
| Fair value movement on investment property | | **-** | *(5,000,000)* | **-** | *(5,000,000)* |
| Gain on sale of intellectual property | | **(8,600,000)** | *-* | **(8,600,000)** | *-* |
| *Operating profit before working capital changes* | | **13,657,984** | *12,082,715* | **12,076,479** | *11,995,556* |
| Movement in inventories | | **(39,741)** | *(90,645)* | **15,405** | *(22,974)* |
| Movement in receivables / Group company balances | | **288,499** | *(648,456)* | **3,378,379** | *(661,563)* |
| Movement in payables / advance deposits | | **518,123** | *876,892* | **(999,245)** | *1,181,640* |
| *Cash generated from operations* | | **14,424,865** | *12,220,506* | **14,471,018** | *12,492,659* |
| Interest paid | | **(2,047,302)** | *(2,089,735)* | **(2,069,517)** | *(2,169,735)* |
| Income tax paid | | **(51,072)** | *(30,835)* | **(48,444)** | *(30,835)* |
| *Net cash flows from operating activities* | | **12,326,491** | *10,099,936* | **12,353,057** | *10,292,089* |
| **Cashflow from investing activities** | | | | | |
| Payments to acquire tangible fixed assets | | **(3,077,885)** | *(2,776,976)* | **(3,005,651)** | *(2,762,816)* |
| Payments to acquire financial assets at fair value through profit or loss | | **-** | *(500,000)* | **-** | *(500,000)* |
| Proceeds from sale of financial assets at fair value through profit or loss | | **512,500** | *-* | **512,500** | *-* |
| Payments to acquire financial assets at fair value through other comprehensive income | | **(850,000)** | *-* | **(850,000)** | *-* |
| Fixed-term deposits | | **(2,000,000)** | *-* | **(2,000,000)** | *-* |
| Amounts received from commonly controlled entity | | **150,000** | *280,000* | **(105,000)** | *280,000* |
| Receipts from other related parties | | **8,092** | *18,944* | **9,010** | *18,944* |
| *Net cash flows used in investing activities* | | **(5,257,293)** | *(2,978,032)* | **(5,439,141)** | *(2,963,872)* |
| **Cashflow from financing activities** | | | | | |
| Repayment of bank borrowings | | **(2,294,135)** | *(2,260,268)* | **(2,294,135)** | *(2,260,268)* |
| Principal element of lease payments | | **(80,885)** | *-* | **-** | *-* |
| Dividends paid | | **(3,050,165)** | *(3,512,036)* | **(3,050,165)** | *(3,512,036)* |
| *Net cash flows used in financing activities* | | **(5,425,185)** | *(5,772,304)* | **(5,344,300)** | *(5,772,304)* |
| **Net movement in cash and cash equivalents** | | **1,644,013** | *1,349,600* | **1,569,616** | *1,555,913* |
| Cash and cash equivalents at the beginning of the year | | **5,526,620** | *4,177,020* | **2,966,220** | *1,410,307* |
| Cash and cash equivalents at the end of the year | 28 | **7,170,633** | *5,526,620* | **4,535,836** | *2,966,220* |

### 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 (Cap. 386).

These financial statements have been prepared under the historical cost convention as modified by the fair valuation of the land and buildings class of property, plant and equipment, investment property and financial assets at fair value through other comprehensive income and at fair value through profit or loss.

***Basis of measurement***
The financial statements have been prepared on the historical cost basis and on the going concern basis.

***Events after the reporting period***
The Group's business was severely impacted by the spread of the COVID-19 pandemic to Europe in 2020, with the first case being detected in Malta in early March 2020. This pandemic is creating unprecedented levels of uncertainty in local and global economies alike, as predictions as to the extent of economic curtailment due to social distancing and lockdown measures coupled with the impact of government fiscal assistance packages remain fluid. The Group operates in the hospitality and entertainment sector which has been immediately and directly impacted by the travel ban imposed locally and in most countries worldwide and the mandatory closure of its entertainment outlets. It is as yet unknown when this travel ban and mandatory closure of entertainment outlets will be lifted and the market's reaction thereto. The Group has considered the impact on the carrying values of its assets as disclosed in note 36 – 'Events after the reporting period'.

***Going Concern***
In the light of all the above, the directors have stressed the previously prepared projections in order to assess the impact on its operations and liquidity in the foreseeable future. The Company's reassessment of projections and cashflow forecasts have taken into account the full extent of the benefit of measures introduced by the Government of Malta and Credit Institutions aimed at assisting entities in the current crises, including reimbursement of an element of employee wages, deferral of direct, indirect and payroll taxes and NI contributions as well moratoria on capital and interest repayments due on bank borrowings. Details are disclosed in note 36 – 'Events after the reporting period'.

As at the date of signing these financial statements, based on the cash headroom, sanctioned bank facilities and information currently available, the directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

***Standards, interpretations and amendments to published standards effective in 2019***
In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019. Other than changing its accounting policies for leases as a result of adopting IFRS 16 'Leases', 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 and the Company's accounting policies.

## 1. Basis of preparation (continued)

***Standards, interpretations and amendments to published standards effective in 2019 (continued)***

***IFRS 16 - Leases***

IFRS 16 supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group and the Company is the lessor.

The Group and the Company have adopted IFRS 16 retrospectively from 1 January 2019 but have not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.12%. The Company was not a lessee under operating lease arrangements as at 31 December 2018, and therefore its results are not impacted on the date of initial application (i.e. 1 January 2019).

(i) *Practical expedients applied*

In applying IFRS 16 for the first time, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4. No other practical expedients were used as they were not applicable.

(ii) *Measurement of lease liabilities*

| | **Group** |
|---|---|
| | **€** |
| Operating lease commitments disclosed as at 31 December 2018 - (as restated) (a) | 3,530,873 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | (1,834,011) |
| (Less): low-value leases not recognised as a liability | (18,588) |
| **Lease liability recognised as at 1 January 2019** | **1,678,275** |
| Of which are: | |
| - Current lease liabilities | 105,517 |
| - Non-current lease liabilities | 1,572,758 |
| | **1,678,275** |

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

**1. Basis of preparation (continued)**

***Standards, interpretations and amendments to published standards effective in 2019 (continued)***

***IFRS 16 – Leases (continued)***

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by €1,678,275
- Lease liabilities – increase by €1,678,275

There was no impact on retained earnings as at 1 January 2019.

(iv) *Lessor accounting*

The Group and the Company did not need to make any adjustments to the accounting for assets held as lessors under operating leases as a result of the adoption of IFRS 16.

***Standards, interpretations and amendments to published standards that are not yet effective***
Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1st January 2020. 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 and the Company'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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, cash flows and any unrealised gains relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including any goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

***Basis of consolidation (continued)***

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 and joint ventures

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.

Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has investments in joint ventures.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method of accounting, an investment in an associate or joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The financial results of associates and joint ventures are taken from the latest audited financial statements.

(iii) Associates and joint ventures (continued)

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

In the Company financial statements investments in associates and joint ventures 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.

***Property, plant & equipment***

Property, plant and equipment are initially measured at cost and subsequently, land and buildings are 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 differ 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.

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

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

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. When the asset is derecognised, the attributable revaluation remaining in the revaluation surplus is transferred to retained earnings.

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

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

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

Freehold land is not depreciated as it is deemed to have an indefinite life. 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.

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

***Investment property (continued)***

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

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

***Financial instruments***

***Financial assets***

Recognition and derecognition

The Group recognises a financial asset initially at fair value in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification and subsequent measurement

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's and the Company's debt instruments principally comprise loans and advances to other undertakings and investments.

The Group's debt instruments are subsequently measured at either amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*Financial assets measured at amortised cost*

Debt instruments that meet the following conditions are subsequently measured at amortised cost when:

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance, measured in accordance with the Group's accounting policy 'Impairment of financial assets' further below.

Changes in the carrying amount of financial assets carried at amortised cost, as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss. On derecognition, any difference between the carrying amount and the consideration received is recognised in profit or loss and is presented separately in the line item 'Gains and losses arising from the derecognition of financial assets measured at amortised cost'.

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

***Financial instruments (continued)***

*Financial assets measured at fair value through other comprehensive income*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss, when material.

*Financial assets measured at fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within 'fair value gains/(losses) on financial instruments at FVTPL in the period in which it arises.

Impairment of financial assets

In terms of IFRS 9, the Group and Company applies an expected credit loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The Group and the Company has to assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and fair value through other comprehensive income.

For trade and other receivables, the Group and Company applies the simplified approach and recognises lifetime ECL. The ECLs on these financial assets are estimated using a provision matrix based on the respective Companies' historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Company uses the general approach, which requires an assessment as to whether the counterparty has experienced a significant increase in credit risk since initial recognition. This assessment forms the basis as to whether lifetime ECL should be recognised and is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. See note 32 for further details.

***Financial liabilities***

The Group recognises a financial liability on its statement of financial position when it becomes a party to the contractual provision of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss. These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transactions costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

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

***Financial instruments (continued)***

***Trade and other receivables***
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in policy 'Impairment of financial assets' and note 32.

***Trade and other payables***
Trade payables are classified within current liabilities unless payment is not due within 12 months from the reporting period. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

***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.

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

***Inventories***
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated 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 and bank deposits***
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. Bank deposits that the directors do not consider a component of cash equivalents, are presented separately in the statement of financial position.

***Provisions***
Provisions are recognised 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 recognised for future operating losses.

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

***Impairment of non-financial assets***

All non-financial assets are tested for impairment except for investment property measured at fair value through profit or loss. 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.

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses are recognised 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.

An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

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

***Revenue recognition***

*(i) Hospitality*

Revenue from hospitality includes revenue from accommodation, food and beverage services, and other ancillary services. The substantial majority of services are provided to customers during their stays in one of the Group's hotels, and, depending on the type of booking, some services, would generally be amalgamated into one 'contract' (for example, bed and breakfast).

Each of the services rendered is assessed to be a distinct performance obligation, and if applicable, the Group allocates the transaction price to each of the services rendered to the customer on a relative basis, based on their stand-alone selling price. Revenue from such operations is recognised over time since the customer benefits as the Group is performing; the majority of revenue relates to accommodation (i.e. the amount allocated to such performance obligation is recognised over the customer's stay at the respective hotel).

*(ii) Advertising*

The Group, primarily through its Bay Radio station, provides advertising and production services. Advertising services include allowing customers to air adverts on the station, and contracts are typically agreed for a fixed price per spot. Revenue from such services is recognised over time, as the spot is aired. Any deposits received upfront in order to secure spots are deferred within accrued income until aired.

*(iii) Cinema tickets and kiosk*

The Group owns the Eden Cinemas complex which includes 13 cinema theatres and various kiosks. Revenue from the screening is recognised over the period of time of the screening. Customers have the ability to prepay for screening through online facilities, in which case, revenue is deferred until the service is provided. Goods sold from the kiosks are recognised as they are delivered to the customer.

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

***Revenue recognition (continued)***

*(iv) Entertainment complex and other services*

Revenue for these services include revenue generated from the Group's Eden Superbowl complex, esports activities, and other ancillary services. Services provided from the Eden Superbowl complex, including use of bowling alleys and bar are recognised over the period of use, or upon consumption, as applicable.

Revenue from esport services include revenue from sponsorship agreements and tickets providing admission to events organised by the Group. The transaction price for such services is fixed and revenue is recognised over time, as the event takes place.

*(v) Car parking facilities*

The Group charges car parking entrance fees, which are either a fixed amount or calculated by the hour. Revenue is recognised over time in the amount in which the Group has a right to charge.

*(vi) Health and fitness centre*

The Group is the owner of the Cynergi health and fitness club in St Julian's. Fees range from one-year membership fees to day entry fees. In all cases, revenue is recognised over the period of time that the customer can use the services provided. Any membership fees received in advance are recognised within deferred income upon receipt.

*(vii) Servicing of timeshare apartments*

The Group provides provision of management services of timeshare apartments owned by third parties. Contracts for such services are subject to a fixed fee and have a term of one year, although they may be renewed for further periods subject to renegotiation. The Group provides various distinct services when carrying out its obligations under such arrangements, however views its obligation as one performance obligation satisfied over the term, in accordance with IFRS 15's series guidance. Revenue in relation to such arrangements is therefore recognised over time. Any amounts paid in advance are recognised within deferred income and released to profit or loss over time.

*(viii) Management services*

The company provides management services to its subsidiaries. Such services have been assessed to fall within scope of the IFRS 15 series guidance such that they are recognised as one performance obligation over time during the contract term.

***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.

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

***Leases***

As explained in the basis of preparation, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in note 12 and the impact of the change is described in the basis of preparation.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. The Group did not have any finance leases as at 31 December 2018.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group or the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective assets leased out under operating leases are included in investment property in the balance sheet. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

***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. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax in relation to the revaluation of land and buildings is charged or credited to other comprehensive income (to the extent that the revaluation is recognised in other comprehensive income). For buildings, deferred tax is recognised on the basis that the tax will be recovered through use (i.e. the corporate rate of tax in Malta), whilst land is expected to be recovered through sale. 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.

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.

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

***Foreign currencies***
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. 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 recognised 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***
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The board of Eden Leisure Group plc, with the guidance of the Chief Executive Officer and Chief Financial Officer, (collectively, "the Board") assess the financial performance and position of the Group, and make strategic decisions. The Board has been identified as being the CODM.

***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, being appropriately authorised and the distribution is no longer at the discretion of the Company.

***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 Group 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 €153,463,598 (2018: €154,842,947). The effect of COVID-19 on the value of property, plant and equipment after the reporting period has been disclosed in note 36.

Expected credit loss allowances on loans and advances
Credit loss allowance represent management's best estimate of expected credit losses in the financial assets subject to IFRS 9 impairment requirements at the balance sheet date. In this respect the directors are required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The Group and Company use the PD, LGD and EAD models in assessing loans and receivable and the provision matrix model for trade receivables to support the measurement of ECL. Following these assessments the ECL was deemed to be immaterial and hence no adjustments were made to these financial statements. The effect of COVID-19 after the reporting period has been disclosed in note 36.

### 4. Segment information and revenue from contracts with customers

### 4.1 Segment information

This note discloses information regarding the Group's reportable segments. The Company is not require to and does not present segment information, however presents the information on its revenue from contracts with customers in note 4.2.

The standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group's CODM, consisting of the board of directors and the chief executive offices and chief financial officer examine the Group's performance namely from an industry/product perspective and has identified two reportable segments – hospitality and entertainment and other related operations.

The CODM assesses performance based on the measure of EBITDA (earnings before interest, tax, depreciation and amortisation) and revenue of the operating segments.

The Group is not required to report a measure of total assets and liabilities for each reportable segment since such amounts are not regularly provided to the CODM. Additionally, since all of the Group's non-current assets are located in Malta, the geographical information that would have otherwise been required by IFRS 8, is not presented in these consolidated financial statements.

**4. Segment information and revenue from contracts with customers (continued)**

**4.1 Segment information (continued)**

| 2019 | Entertainment & other related Operations | Hospitality Operations | Unallocated | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Revenue | 11,972,153 | 33,391,666 | - | 45,363,819 |
| Less: inter-segment sales | (360,688) | - | - | (360,688) |
| | **11,611,465** | **33,391,666** | **-** | **45,003,131** |
| **Segment profit** | **2,075,323** | **11,532,433** | **-** | **13,607,756** |
| Royalty fee | **(1,076,500)** | **-** | **-** | **(1,076,500)** |
| **Segment profit after Royalty fee** | **998,823** | **11,532,433** | **-** | **12,531,256** |
| Other operating income | - | - | 1,044,885 | 1,044,885 |
| Loss on sale of fixed assets | (12,255) | (58,290) | - | (70,545) |
| **Group EBITDA** | **986,568** | **11,474,143** | **1,044,885** | **13,505,596** |
| Depreciation and amortisation | - | - | (4,537,720) | (4,537,720) |
| Sale of intellectual property | 8,600,000 | - | - | 8,600,000 |
| Share of losses of associates | - | (704) | - | (704) |
| Finance costs | - | - | (2,114,662) | (2,114,662) |
| **Profit before tax** | **9,555,462** | **11,473,439** | **(5,576,391)** | **15,452,510** |
| Tax expense | - | - | (2,795,081) | (2,795,081) |
| **Profit for the year** | **9,555,462** | **11,473,439** | **(8,371,472)** | **12,657,429** |
| **Other comprehensive income** | | | | |
| Gain on FI through OCI | **-** | **-** | **5,750** | **5,750** |
| **Total other comprehensive income** | **-** | **-** | **5,750** | **5,750** |
| **Total comprehensive income** | **9,555,462** | **11,473,439** | **(8,365,722)** | **12,663,179** |
| **Segment assets non-current** | 40,740,201 | 122,060,582 | 17,540,619 | **180,341,402** |
| **Segment assets current** | 2,621,411 | 4,401,983 | 11,900,234 | **18,923,628** |
| | **43,361,612** | **126,462,565** | **29,440,853** | **199,265,030** |
| **Segment liabilities non-current** | 203,110 | 2,373,057 | 65,590,785 | **68,166,952** |
| **Segment liabilities current** | 6,021,102 | 8,418,758 | 3,534,582 | **17,974,442** |
| | **6,224,212** | **10,791,815** | **69,125,367** | **86,141,394** |

### 4. Segment information and revenue from contracts with customers (continued)

### 4.1 Segment Information (continued)

| 2018 | Entertainment & other related Operations | Hospitality Operations | Unallocated | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Revenue | 10,371,214 | 31,033,718 | - | 41,404,932 |
| Less: inter-segment sales | (349,999) | (27,692) | - | (377,691) |
| | **10,021,215** | **31,006,026** | **-** | **41,027,241** |
| **Segment profit** | **2,088,148** | **9,100,181** | **-** | **11,188,329** |
| Other operating income | - | - | 882,247 | 882,247 |
| Loss on sale of fixed assets | - | (130,335) | - | (130,335) |
| **Group EBITDA** | **2,088,148** | **8,969,846** | **882,247** | **11,940,241** |
| Depreciation and amortisation | - | - | (4,181,882) | (4,181,882) |
| Share of losses of associates | - | (450) | - | (450) |
| Gain on FI designated at FVTPL | - | - | 12,500 | 12,500 |
| Fair value gain on investment property | - | - | 5,000,000 | 5,000,000 |
| Finance costs | - | - | (2,124,651) | (2,124,651) |
| **Profit before tax** | **2,088,148** | **8,969,396** | **(411,786)** | **10,645,758** |
| Tax expense | - | - | (2,108,716) | (2,108,716) |
| **Profit for the year** | **2,088,148** | **8,969,396** | **(2,520,502)** | **8,537,042** |
| **Other comprehensive income** | | | | |
| Revaluation surplus net of deferred tax | **3,072,070** | **4,091,300** | **-** | **7,163,370** |
| **Total other comprehensive income** | **3,072,070** | **4,091,300** | **-** | **7,163,370** |
| **Total comprehensive income** | **5,160,218** | **13,060,696** | **(2,520,502)** | **15,700,412** |
| **Segment assets non-current** | 34,041,916 | 121,846,844 | 17,596,544 | **173,485,304** |
| **Segment assets current** | 2,347,449 | 3,220,231 | 6,663,682 | **12,231,362** |
| | **36,389,365** | **125,067,075** | **24,260,226** | **185,716,666** |
| **Segment liabilities non-current** | 225,588 | 1,590,729 | 65,109,745 | **66,926,062** |
| **Segment liabilities current** | 4,536,403 | 8,151,993 | 2,591,585 | **15,279,981** |
| | **4,761,991** | **9,742,722** | **67,701,330** | **82,206,043** |

## 4. Segment information and revenue from contracts with customers (continued)

### 4.2. Revenue from contracts with customers

*(i) Disaggregation of revenue from contracts with customers*

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| *Entertainment and related operations segment* | | | | |
| - Advertising and sponsorship agreements | **3,032,905** | *2,094,752* | **-** | *-* |
| - Entertainment and related services | **7,994,126** | *7,521,150* | **-** | *-* |
| *Hospitality segment* | | | | |
| - Accommodation and related services | **32,160,612** | *29,889,808* | **-** | *-* |
| - Other services | **1,231,054** | *1,116,218* | **-** | *-* |
| Operating fees charged to subsidiaries | **-** | *-* | **11,500,000** | *11,710,000* |
| Other sundry services | **584,434** | *405,313* | **584,434** | *405,313* |
| | **45,003,131** | *41,027,241* | **12,084,434** | *12,115,313* |

*(ii) Liabilities related to contracts with customers*

The Group has recognised the following liabilities relating to contracts with customers:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| *Contract liabilities (note 21):* | | | | |
| Advance deposits – accommodation and related services | **1,169,237** | *1,993,406* | **-** | *-* |
| Deferred income – entertainment and related services | **976,792** | *944,223* | **697,528** | *458,241* |
| Deferred income – accommodation and related services | **1,009,015** | *729,284* | | |
| **Total contract liabilities** | **3,155,044** | *3,666,913* | **697,528** | *458,241* |

*Revenue recognised that was included in the deferred income balance at the beginning of the period*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Hotel operations | **2,937,623** | *1,800,205* | **-** | *-* |
| Entertainment and related services | **337,003** | *262,873* | **73,627** | *79,850* |
| | **3,274,626** | *2,063,078* | **73,627** | *79,850* |

## 5. Other operating income

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Rental income | **1,021,585** | *874,564* | **1,021,585** | *874,564* |
| Interest income | **23,300** | *7,683* | **33,500** | *7,683* |
| | **1,044,885** | *882,247* | **1,055,085** | *882,247* |

## 6. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Interest on bank overdraft and borrowings | **384,199** | *477,525* | **384,199** | *477,525* |
| Interest on other loans | **1,600,000** | *1,600,000* | **1,680,000** | *1,680,000* |
| Borrowing transaction costs | **47,126** | *47,126* | **47,126** | *47,126* |
| Interest on lease liability | **83,337** | - | **-** | - |
| | **2,114,662** | *2,124,651* | **2,111,325** | *2,204,651* |

## 7. Expenses by nature

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Entertainment and operations direct costs | **2,948,881** | *2,352,098* | **-** | - |
| Hospitality operations direct costs | **4,942,094** | *4,896,869* | **-** | - |
| Wages and salaries (note 8) | **11,447,792** | *11,024,795* | **-** | - |
| Directors' remuneration (note 8) | **1,241,997** | *973,038* | **295,675** | *295,498* |
| Directors' fees | **85,500** | *85,500* | **56,000** | 56,000 |
| Utility expenses | **1,772,344** | *1,745,071* | **240,284** | *224,462* |
| Advertising and promotion | **1,831,606** | *1,914,780* | **1,781** | *152* |
| Repairs & maintenance | **1,830,019** | *1,842,622* | **45,481** | *69,242* |
| Royalty fee | **1,076,500** | - | **-** | - |
| Operating lease costs | **3,098** | *228,062* | **-** | - |
| Other expenses | **5,292,044** | *4,776,077* | **493,912** | *356,331* |
| | **32,471,875** | *29,838,912* | **1,133,133** | *1,001,685* |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Total remuneration payable to the company's auditors for: | | | | |
| - Audit services | **34,786** | *34,786* | **8,153** | *8,153* |
| - Other services | **5,400** | *5,400* | **2,250** | *2,250* |
| | **40,186** | *40,186* | **10,403** | *10,403* |

### 8. Staff costs and employee information

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Wages and salaries | **12,002,144** | *10,841,038* | **3,545,899** | *2,973,066* |
| Social security costs | **687,645** | *1,156,795* | **146,509** | *133,753* |
| | **12,689,789** | *11,997,833* | **3,692,408** | *3,106,819* |
| Recharged to subsidiaries | **-** | *-* | **(3,396,733)** | *(2,811,321)* |
| | **12,689,789** | *11,997,833* | **295,675** | *295,498* |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 Number** | *2018 Number* | **2019 Number** | *2018 Number* |
| Administrative | **66** | *66* | **18** | *16* |
| Operational | **516** | *507* | **85** | *87* |
| Directors | **9** | *9* | **4** | *4* |
| | **591** | *582* | **107** | *107* |

### 9. Tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Group undertakings:** | | | | |
| Deferred tax charge | **2,263,602** | *2,030,520* | **2,245,308** | *2,034,706* |
| Tax charge | **531,479** | *78,196* | **83,837** | *75,568* |
| | **2,795,081** | *2,108,716* | **2,329,145** | *2,110,274* |

### 9. Tax expense (continued)

| The tax expense and the tax charge using the statutory income tax rate of 35% are reconciled as follows | Group 2019 € | Group *2018* *€* | Company 2019 € | Company *2018* *€* |
|---|---|---|---|---|
| Profit before taxation | **15,452,510** | *10,645,758* | **14,166,153** | *10,600,750* |
| Tax charge at 35% | **5,408,379** | *3,726,015* | **4,958,154** | *3,710,263* |
| Depreciation charges not deductible for tax purposes by way of capital allowances | **89,167** | *134,104* | **7,720** | *89,487* |
| Expenditure disallowed for tax purposes | **700** | *2,621* | **700** | *2,445* |
| Tax effect of non-taxable income | **(3,037,533)** | *(7,064)* | **(3,037,533)** | *(7,064)* |
| Deferred tax movement not recognised in prior year | **507,052** | *(346,830)* | **523,640** | *(331,701)* |
| Income taxed at a reduced tax rate | **(83,553)** | *(66,002)* | **(79,135)** | *(62,498)* |
| Additional allowable deductions | **(89,131)** | *(84,128)* | **(44,401)** | *(40,658)* |
| Deferred tax liability at reduced rate | - | *(1,250,000)* | - | *(1,250,000)* |
| Tax expense | **2,795,081** | *2,108,716* | **2,329,145** | *2,110,274* |

*Tax recognised in other comprehensive income*

Income tax recognised in other comprehensive income comprises the deferred tax impact on the Group's and the Company's revaluation of land and buildings. Refer to notes 20 and 25 for further detail on the amounts recognised.

### 10. Intangible assets

| | Group 2019 € | Group *2018* *€* | Company 2019 € | Company *2018* *€* |
|---|---|---|---|---|
| **Licences** | | | | |
| **Cost** | | | | |
| As at 1st January | **23,400** | *23,400* | **23,400** | *23,400* |
| Movement | - | - | - | - |
| As at 31st December | **23,400** | *23,400* | **23,400** | *23,400* |
| **Amortisation** | | | | |
| As at 1st January | **21,060** | *18,720* | **21,060** | *18,720* |
| Provision for the year | **2,340** | *2,340* | **2,340** | *2,340* |
| As at 31st December | **23,400** | *21,060* | **23,400** | *21,060* |
| **Carrying amount as at 31st December** | - | *2,340* | - | *2,340* |

**11. Property, plant and equipment**
**Group**

| | Land and Buildings | Furniture Fixtures & Fittings | Equipment | Computer Equipment | Motor Vehicles | Other Fixed Assets | Total |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| **Cost/Valuation** | | | | | | | |
| As at 1st January 2018 | 130,640,339 | 18,705,459 | 16,729,623 | 1,938,726 | 321,275 | 13,350,082 | 181,685,504 |
| Additions | 125,727 | 1,884,973 | 623,123 | 57,579 | 14,160 | 71,414 | 2,776,976 |
| Disposals | (29,443) | (977,570) | (124,738) | (590) | - | (22,646) | (1,154,987) |
| Revaluation | 8,846,330 | - | - | - | - | - | 8,846,330 |
| As at 1st January 2019 | 139,582,953 | 19,612,862 | 17,228,008 | 1,995,715 | 335,435 | 13,398,850 | 192,153,823 |
| Additions | 172,354 | 1,757,693 | 800,415 | 323,540 | - | 23,883 | 3,077,885 |
| Disposals | (9,662) | (1,036,649) | (183,144) | (104,705) | - | (90,272) | (1,424,432) |
| As at 31st December 2019 | 139,745,645 | 20,333,906 | 17,845,279 | 2,214,550 | 335,435 | 13,332,461 | 193,807,276 |
| **Depreciation** | | | | | | | |
| As at 1st January 2018 | 791,469 | 11,234,706 | 11,158,994 | 1,679,023 | 304,567 | 8,987,227 | 34,155,986 |
| Depreciation charge | 793,488 | 1,428,823 | 1,170,598 | 136,759 | 7,009 | 642,865 | 4,179,542 |
| Eliminated on disposals | (7,156) | (876,632) | (123,725) | (590) | - | (16,549) | (1,024,652) |
| As at 1st January 2019 | 1,577,801 | 11,786,897 | 12,205,867 | 1,815,192 | 311,576 | 9,613,543 | 37,310,876 |
| Depreciation charge | 798,310 | 1,580,894 | 1,183,829 | 167,046 | 7,009 | 649,601 | 4,386,689 |
| Eliminated on disposals | (1,546) | (984,984) | (178,148) | (104,705) | - | (84,506) | (1,353,889) |
| As at 31st December 2019 | 2,374,565 | 12,382,807 | 13,211,548 | 1,877,533 | 318,585 | 10,178,638 | 40,343,676 |
| **Net Book Value** | | | | | | | |
| **As at 31st December 2019** | **137,371,080** | **7,951,099** | **4,633,731** | **337,017** | **16,850** | **3,153,821** | **153,463,598** |
| As at 1st January 2019 | 138,005,152 | 7,825,965 | 5,022,141 | 180,523 | 23,859 | 3,785,307 | 154,842,947 |

**11. Property, plant and equipment (continued)**
**Company**

| | Land and Buildings € | Furniture Fixtures & Fittings € | Equipment € | Computer Equipment € | Motor Vehicles € | Other Fixed Assets € | Total € |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| As at 1st January 2018 | 123,815,151 | 17,848,206 | 16,392,614 | 1,878,011 | 314,462 | 13,345,608 | 173,594,052 |
| Additions | 125,727 | 1,884,973 | 623,123 | 57,579 | - | 71,414 | 2,762,816 |
| Disposals | (29,443) | (977,570) | (124,738) | (590) | - | (22,646) | (1,154,987) |
| Revaluation | 8,755,573 | - | - | - | - | - | 8,755,573 |
| As at 1st January 2019 | 132,667,008 | 18,755,609 | 16,890,999 | 1,935,000 | 314,462 | 13,394,376 | 183,957,454 |
| Additions | 172,354 | 1,757,693 | 800,415 | 251,306 | - | 23,882 | 3,005,650 |
| Disposals | (9,662) | (630,999) | (140,488) | (104,705) | - | (90,272) | (976,126) |
| As at 31st December 2019 | 132,829,700 | 19,882,303 | 17,550,926 | 2,081,601 | 314,462 | 13,327,986 | 185,986,978 |
| **Depreciation** | | | | | | | |
| As at 1st January 2018 | 691,709 | 10,421,074 | 10,864,714 | 1,618,147 | 297,754 | 8,983,759 | 32,877,157 |
| Depreciation charge | 694,359 | 1,426,861 | 1,165,278 | 136,759 | 4,177 | 642,865 | 4,070,299 |
| Eliminated on disposals | (7,156) | (876,632) | (123,725) | (590) | - | (16,549) | (1,024,652) |
| As at 1st January 2019 | 1,378,912 | 10,971,303 | 11,906,267 | 1,754,316 | 301,931 | 9,610,075 | 35,922,804 |
| Depreciation charge | 699,181 | 1,587,821 | 1,178,509 | 148,988 | 4,177 | 649,602 | 4,268,278 |
| Eliminated on disposals | (1,546) | (589,257) | (137,824) | (104,705) | - | (84,506) | (917,836) |
| As at 31st December 2019 | 2,076,547 | 11,969,867 | 12,946,952 | 1,798,599 | 306,108 | 10,175,171 | 39,273,244 |
| **Net Book Value** | | | | | | | |
| **As at 31st December 2019** | **130,753,153** | **7,912,436** | **4,603,974** | **283,002** | **8,354** | **3,152,816** | **146,713,734** |
| As at 1st January 2019 | 131,288,096 | 7,784,306 | 4,984,732 | 180,684 | 12,531 | 3,784,301 | 148,034,650 |

Land and buildings held by the Group and the Company, with a carrying amount of €104,108,628 (2018: €104,567,980) are pledged as security for current and non-current borrowings.

***Fair value of property***

The Group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which, the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

All the recurring property fair value measurements at 31 December 2019 and 2018, as applicable, use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

**11. Property, plant and equipment (continued)**

***Valuation techniques***

The Group's land and buildings, within property, plant and equipment, consist of two hotel properties, one cinema complex, one bowling alley, health and fitness club and a car park that are owned and managed by the Group companies. The Group obtains independent valuations for its freehold land and buildings at least every five years. In addition to the revaluations carried out on hotel properties, the Group's investment properties, which comprise two properties that are held for long-term rental yields or for capital appreciation or both, are measured at fair value on an annual basis as required by IAS 40.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources.

The Group's hotel properties were valued using the discounted cash flow approach. When using this technique, the significant unobservable inputs include:

| | |
|---|---|
| Earnings before interest, tax, depreciation and amortisation (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. |

Investment properties were valued using a capitalisation rate approach, whereby the rental price per square is used as the measure to calculate the properties' net operating income.

***Valuation processes***

In 2019, management carried an assessment for those properties measured in accordance with the revaluation model under IAS 16, to determine whether a material shift in fair value had occurred.

Where management, through its assessment, concludes that the fair value of hotel properties differ materially from its carrying amount, and at least every 5 years, an independent valuation report prepared by third party qualified valuers, is performed. The report is based on information provided by the Group. The information provided to the valuers, together with 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.

The Group's property (land and buildings together with all other integral assets) were last revalued by independent professional qualified valuers on 31 December 2018. The land and buildings together with all other integral assets were valued by Perit Ivan Muscat (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 2019, the directors updated the discounted cashflows and the resultant fair value did not differ materially from the book values of the property; accordingly, management has relied on the valuations obtained in the previous years, and therefore, the fair value disclosures that were presented (illustrated below) remain relevant. However, as disclosed in note 36 – Events after the Reporting Period, the carrying value of property, plant and equipment, might differ materially following the reporting period due to the impact of COVID-19.

For investment properties, the Group engages external, independent and qualified valuers to determine the fair value of the property at the end of every financial year.

**11. Property, plant and equipment (continued)**

***Valuation inputs and relationships to fair value***

The determination of the fair value of land and buildings and investment properties use future discounted cash flows ("DCF") projections based on significant unobservable inputs (categorised within Level 3 of the fair value hierarchy). These inputs include:

| **Group and Company** | **Fair value at** | | | **Range of inputs** | | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|---|---|
| **Description** | **31 Dec 2019 €** | *31 Dec 2018 €* | **Unobservable Inputs** | **31 Dec 2019** | *31 Dec 2018* | |
| *Property, plant and equipment* | | | | | | |
| Hotel and other entertainment properties | **137,371,080** | *138,000,000* | Discount rate | 7.54%* | 7.54% | The higher the discount rate, the lower the fair value |
| | | | Growth rate | 2% - 4%* | 2% - 4% | The higher the growth rate, the higher the fair value |
| | | | EBIDTA | €14.9m€19.4m* | €14.9m€19.4m | The higher the EBIDTA, the higher the fair value |
| *Investment properties* | | | | | | |
| Leased buildings | **17,200,000** | *17,200,000* | Rental price per square Metre | €300 | €300 | The higher the rental price per square metre, the the higher the fair value |
| | | | Capitalisation rate | 7% | 7% | The higher the capitalisation rate, the lower the fair value |

*These inputs represent the range of inputs used in the external valuation carried out as at 31 December 2018.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in note 13 for investment property.

If the cost model had been used, the carrying amounts of the revalued properties classified as property, plant and equipment would be €64,917,910 (2018: €66,297,259). The revalued amounts include a revaluation surplus of €88,545,688 before tax (2018: €88,545,688), which is not available for distribution to the shareholders of Eden Leisure Group.

Valuation of these assets has been reassessed after the reporting period following the spread of the COVID-19 pandemic and the resulting implication on the Group's operations. This is further explained in note 36 – Events after the reporting period.

**12. Leases**

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 13.

*(i) Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

| | Group | |
|---|---|---|
| | **2019** | 1 January 2019 |
| | **€** | € |
| **Right-of-use assets** | | |
| Land and buildings | **1,667,115** | 1,565,764 |
| Motor vehicles | **79,738** | 112,511 |
| | **1,746,853** | 1,678,275 |
| **Lease liabilities** | | |
| Current | **109,050** | 62,886 |
| Non-current | **1,731,159** | 1,615,389 |
| | **1,840,209** | 1,678,275 |

Additions to the right-of-use assets during the 2019 financial year were € 217,267.

*(ii) Amounts recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

| | Group **2019** |
|---|---|
| | **€** |
| **Depreciation charge of right-of-use assets** | |
| Land and buildings | 115,916 |
| Motor vehicles | 32,773 |
| | 148,689 |
| Interest expense (included in finance cost) | 83,337 |

The total cash outflow for leases in 2019 was €138,670.

*(iii) The Group's leasing activities and how these are accounted for*

The Group leases land, buildings and vehicles. The Group's rental contracts are for fixed periods of 3 to 50 years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

**12. Leases *(continued)***

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, as described in the Group accounting policy. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Group except for motor vehicle leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
• where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
• makes adjustments specific to the lease, e.g. term and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate, take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use land and buildings held by the Group.

Payments associated with short-term leases of vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise photo copying and printing equipment.

*(iv) Variable lease payments*

The Group's leases do not contain variable payment terms.

*(v) Extension and termination options*

Extension and termination options are included in the Group's property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

### 13. Investment property

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **As at 1st January** | **17,200,000** | *12,200,000* | **17,200,000** | *12,200,000* |
| Revaluation | - | *5,000,000* | - | *5,000,000* |
| **As at 31st December** | **17,200,000** | *17,200,000* | **17,200,000** | *17,200,000* |

Investment property held by the Group and the Company, with a carrying amount of €14,000,000 (2018: €14,000,000) are pledged as security for current and non-current borrowings.

Investment property is valued annually on 31 December at fair value comprising open market value approved by the directors on the basis of a professional valuation prepared by an independent architect. Fair value disclosures are included in note 11.

Valuation of these assets has been reassessed after the reporting period following the spread of the COVID-19 pandemic and the resulting implication on the Group's operations. This is further explained in note 36 – Events after the reporting period.

*(i) Amounts recognised in profit or loss for investment properties*

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Rental income from operating leases | 813,242 | 718,872 | 813,242 | 718,872 |

*(ii) Leasing arrangements*

The Group and the Company's investment properties are leased to tenants under operating leases with rentals payable on a monthly or quarterly basis. Lease payments for some contracts include fixed annual increases, but there are no variable lease payments that depend on an index.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Within 1 year | **832,125** | 813,242 | **832,125** | *813,242* |
| Between 1 and 2 years | **691,645** | 832,125 | **691,645** | *832,125* |
| Between 2 and 3 years | **631,644** | 691,645 | **631,644** | *691,645* |
| Between 3 and 4 years | **650,594** | 631,644 | **650,594** | *631,644* |
| Between 4 and 5 years | **671,848** | 650,594 | **671,848** | *650,594* |
| Later than 5 years | **689,165** | 1,361,013 | **689,165** | *1,361,013* |
| | **4,167,021** | *4,980,263* | **4,167,021** | *4,980,263* |

### 14. Interests in subsidiaries and other entities

| Company | Shares in subsidiaries | Shares in associates and joint venture | Total |
|---|---|---|---|
| | € | € | € |
| At 1st January 2018 | *2,575,950* | *575,048* | *3,150,998* |
| Additions | - | - | - |
| Impairment | - | - | - |
| At 31st December 2018 | *2,575,950* | *575,048* | *3,150,998* |

The net book value as at 31 December 2018 comprises:

| | € | € | € |
|---|---|---|---|
| Cost | *2,575,950* | *600,048* | *3,175,998* |
| Impairment | - | *(25,000)* | *(25,000)* |
| At 31st December 2018 | *2,575,950* | *575,048* | *3,150,998* |

| | | | |
|---|---|---|---|
| At 1st January 2019 | *2,575,110* | *575,048* | *3,150,158* |
| Additions | - | - | - |
| Impairment | - | - | - |
| **At 31st December 2019** | ***2,575,950*** | ***575,048*** | ***3,150,998*** |

The net book value as at 31 December 2019 comprises:

| | € | € | € |
|---|---|---|---|
| Cost | *2,575,950* | *575,048* | *3,150,998* |
| Impairment | - | - | - |
| **At 31st December 2019** | ***2,575,950*** | ***575,048*** | ***3,150,998*** |

The investment in CLL Limited, costing €25,000, was fully impaired as at 31st December 2018 and was liquidated in 2019.

All subsidiary undertakings are included in the consolidation, whilst investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements, as disclosed in the Group's accounting policies.

Valuation of these assets has been reassessed after the reporting period following the spread of the COVID-19 pandemic and the resulting implication on the Group's operations. This is further explained in note 36 – Events after the reporting period.

### 14. Interests in subsidiaries and other entities (continued)

**Shares in Group and associated undertakings represent the following investments:**

| | Registered address | Principal activity | 2019 % holding | 2018 % holding |
|---|---|---|---|---|
| **Group** | | | | |
| Eden Finance p.l.c. | Eden Place<br>St. Augustine Street<br>St. George's Bay | Finance company | 99.99 | 99.99 |
| Eden Entertainment Limited | Eden Place<br>St. Augustine Street<br>St. George's Bay | Entertainment operating company | 99.99 | 99.99 |
| Eden Super Bowl Limited | Eden Place<br>St. Augustine Street<br>St. George's Bay | Entertainment operating company | 99.99 | 99.99 |
| Eden Hospitality Limited | Eden Place<br>St. Augustine Street<br>St. George's Bay | Hotel management company | 99.99 | 99.99 |
| Eden Esports Limited | Eden Place<br>St. Augustine Street<br>St. George's Bay | Entertainment operating company | 70.00 | 70.00 |
| **Associates** | | | | |
| Axis Limited | St. George's Road, St. Julian's | Management property company | 50.00 | 50.00 |
| Sunny Resorts Limited | Eden Place<br>St. Augustine Street<br>St. George's Bay | Management property company | 33.33 | 33.33 |
| CLL Limited | 5, Birbal Street, Balzan | Liquidated | - | 25.00 |

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

| | Group | |
|---|---|---|
| | **2019** | *2018* |
| | **€** | *€* |
| **Opening net book value** | **719,093** | *719,543* |
| Additions | **-** | - |
| Impairment | **-** | - |
| Share of losses of associated undertakings (after tax) | **(704)** | *(450)* |
| Closing net book value | **718,389** | *719,093* |
| Net assets | **2,155,190** | *2,157,302* |
| **Group share of net assets** | **718,389** | *719,093* |

### 15. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Non-current** | | | | |
| Amounts owed by associates and joint venture (ii) | **314,943** | *324,380* | **314,943** | *324,380* |
| Amounts owed by commonly controlled entities (ii) | **340,619** | *396,544* | **340,619** | *396,544* |
| Other receivables due from commonly controlled entity (iii) | **6,557,000** | - | **6,557,000** | - |
| | **7,212,562** | *720,924* | **7,212,562** | *720,924* |
| **Current** | | | | |
| Trade receivables | **2,940,183** | *2,346,279* | **149,791** | *96,156* |
| Amounts owed by subsidiaries (i) | - | - | **3,708,506** | *6,183,938* |
| Amounts owed by associates and joint venture (ii) | **40,000** | *150,000* | **40,000** | *150,000* |
| Amounts owed by commonly controlled entities (ii) | **375,935** | *532,480* | **353,520** | *509,842* |
| Other receivables due from commonly controlled entity (iii) | **1,000,000** | - | **1,295,000** | - |
| Other receivables | **736,609** | *474,562* | **353,879** | *370,587* |
| Prepayments and accrued income | **491,698** | *343,084* | **281,662** | *211,945* |
| | **5,584,425** | *3,846,405* | **6,182,358** | *7,522,468* |

(i) Amounts due by subsidiaries relate to operating fees charged by the Company. They are unsecured, interest free and repayable based on the credit terms agreed between the parties.

(ii) Amounts due by associates, joint venture and commonly controlled entities are unsecured, interest free and are repayable on demand.

(iii) Other receivables due from a commonly controlled entity pertain to amounts receivable emanating from the sale of the Company's intellectual property (note 35). This amount is interest free, unsecured and repayable on demand.

The Group and Company assess whether any loss allowance is required on its financial assets as set out in the accounting policies and note 32.

### 16. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Food, beverage and consumables | **357,256** | *302,110* | - | - |
| Crockery and linen | **1,700,582** | *1,715,987* | **1,688,704** | *1,704,109* |
| Other inventories | **177,740** | *177,740* | **177,740** | *177,740* |
| | **2,235,578** | *2,195,837* | **1,866,444** | *1,881,849* |

Inventories recognised as an expense during the year ended 31 December 2019 amounted to €1,217,331 (2018 – €1,066,110). These were included in direct costs.

## 17. Other financial assets at amortised cost

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Current** | | | | |
| Amounts owed by subsidiaries (i) | - | - | **255,000** | - |
| Amounts owed by commonly controlled entity (ii) | - | *150,000* | - | *150,000* |
| | - | *150,000* | **255,000** | *150,000* |

(i) This represents a loan granted to a subsidiary which bears interest at 4%. This loan is repayable in full and on demand by giving three months' notice at the discretion of the Company with the final and full repayment to be not later than the 31st December 2020.

(ii) This represents an interest free and unsecured loan granted to a related undertaking. This loan is repayable in full and on demand by giving three months' notice at the discretion of the Company with the final and full repayment to be not later than the 31st December 2019.

## 18. Deposits

The amounts included within Deposits represent fixed-term bank deposits having a maturity of six to twelve months from the acquisition date. They have been classified within current assets in the balance sheet.

## 19. Financial assets at fair value

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

Financial assets at fair value through other comprehensive income comprise debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

These comprise investments in listed bonds in the local market. On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss within 'Gains/(losses) reclassified to profit or loss upon derecognition of financial assets at FVOCI'.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Non-current assets** | | | | |
| At 1 January 2018 | - | - | - | - |
| Additions | **850,000** | - | **850,000** | - |
| Fair value movements recognised in other comprehensive income | **5,750** | - | **5,750** | - |
| **At 31 December** | **855,750** | - | **855,750** | - |

### 19. Financial assets at fair value (continued)

*(ii) Financial assets at fair value through profit or loss*

The Group classifies its debt investments that do not qualify for measurement at either amortised cost or FVOCI at fair value through profit or loss (FVPL).

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Current assets** | | | | |
| At 1 January 2018 | **512,500** | - | **512,500** | - |
| Additions | **-** | *500,000* | **-** | *500,000* |
| Disposals | **(512,500)** | - | **(512,500)** | - |
| Fair value movements recognised in profit or loss | **-** | *12,500* | **-** | *12,500* |
| **At 31 December** | **-** | *512,500* | **-** | *512,500* |

The Group's and Company's exposure to financial risks on these instruments is provided in note 32.

### 20. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% / 10% (2018 – 35% / 10%). The movement in the deferred tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| At the beginning of the year | **(14,542,685)** | *(10,829,205)* | **(13,889,623)** | *(10,177,715)* |
| *Recognised in profit or loss:* | | | | |
| Movement in absorbed tax losses and capital allowances | **(31,034)** | *(1,543,298)* | **-** | *(1,534,920)* |
| Movement in unutilised tax credits | **(2,113,925)** | *(595,710)* | **(2,113,926)** | *(595,710)* |
| Movement in effect of provisions | **29,627** | *3,546* | **24,533** | - |
| Movement in the excess of capital allowances over depreciation | **(148,270)** | *604,942* | **(155,917)** | *595,925* |
| Movement in fair value of investment property | **-** | *(500,000)* | **-** | *(500,000)* |
| *Recognised in other comprehensive income:* | | | | |
| Effect due to revaluation of assets | **-** | *(1,682,960)* | **-** | *(1,677,203)* |
| At the end of the year | **(16,806,287)** | *(14,542,685)* | **(16,134,932)** | *(13,889,623)* |
| Effect recognised in: | | | | |
| Deferred tax movements recognised in profit or loss (note 9) | **(2,263,602)** | *(2,030,520)* | **(2,245,308)** | *(2,034,706)* |
| Deferred tax movements recognised in equity | **-** | *(1,682,960)* | **-** | *(1,677,202)* |
| | **(2,263,602)** | *(3,713,480)* | **(2,245,308)** | *(3,711,908)* |

### 20. Deferred taxation (continued)

The following amounts are shown in the balance sheet:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| *Deferred tax assets* | | | | |
| Unabsorbed tax losses and capital allowances | **12,556** | *47,372* | **-** | *-* |
| Unutilised tax credits | **-** | *2,113,925* | **-** | *2,113,925* |
| Effect of provisions | **44,538** | *14,913* | **24,533** | *-* |
| | **57,094** | *2,176,210* | **24,533** | *2,113,925* |
| *Deferred tax liabilities* | | | | |
| Effect of excess of capital allowances over depreciation | **(1,332,786)** | *(1,188,298)* | **(1,310,655)** | *(1,154,739)* |
| Effect due to fair value movement of investment property | **(1,720,000)** | *(1,720,000)* | **(1,720,000)** | *(1,720,000)* |
| Effect due to revaluation of property, plant and equipment | **(13,810,595)** | *(13,810,597)* | **(13,128,810)** | *(13,128,809)* |
| | **(16,863,381)** | *(16,718,895)* | **(16,159,465)** | *(16,003,548)* |
| | **(16,806,287)** | *(14,542,685)* | **(16,134,932)** | *(13,889,623)* |

### 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Falling due within one year** | | | | |
| Trade payables | **3,569,857** | *3,680,468* | **156,138** | *93,143* |
| Capital payables | **116,631** | *266,837* | **116,631** | *266,837* |
| Amounts owed to subsidiaries and other related entities (i) | **2,201** | *1,557* | **2,319,684** | *3,542,765* |
| Accruals | **5,805,360** | *4,381,374* | **1,786,622** | *1,288,520* |
| Advanced deposits and deferred income (note 4) | **2,485,972** | *3,250,633* | **101,377** | *73,627* |
| Other payables | **1,465,954** | *1,374,364* | **660,969** | *1,083,619* |
| | **13,445,975** | *12,955,233* | **5,141,421** | *6,348,511* |
| **Falling due after more than one year** | | | | |
| Advanced deposits and deferred income (note 4) | **669,072** | *416,280* | **596,151** | *384,614* |
| Other payables | **177,401** | *400,036* | **-** | *-* |
| | **846,473** | *816,316* | **596,151** | *384,614* |

(i) Amounts owed to subsidiaries and other related entities are unsecured, interest free and are repayable on demand.

### 22. Current income tax liability

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Opening balance | **49,502** | *2,141* | **46,874** | *2,141* |
| Tax charge for the year | **531,479** | *78,196* | **83,837** | *75,568* |
| Tax payment | **(51,072)** | *(30,835)* | **(48,444)** | *(30,835)* |
| Closing balance | **529,909** | *49,502* | **82,267** | *46,874* |

### 23. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Falling due within one year** | | | | |
| Bank loans (i) | **1,810,800** | *2,275,246* | **1,810,800** | *2,275,246* |
| Bank overdrafts (i) | **1,077,242** | - | **-** | - |
| Third party loans (iv) | **1,000,000** | - | **1,000,000** | - |
| | **3,888,042** | *2,275,246* | **2,810,800** | *2,275,246* |
| **Falling due after more than one year** | | | | |
| Bank loans (i) | **9,130,087** | *10,959,776* | **9,130,087** | *10,959,776* |
| Related company loans (ii) | **-** | - | **39,654,411** | *39,607,285* |
| Bonds (iii) | **39,654,411** | *39,607,285* | **-** | - |
| Third party loans (iv) | **-** | *1,000,000* | **-** | *1,000,000* |
| | **48,784,498** | *51,567,061* | **48,784,498** | *51,567,061* |
| **Total borrowings** | **52,672,540** | *53,842,307* | **51,595,298** | *53,842,307* |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Face value of bonds/related company loans** | | | | |
| Bonds/Related company loans | **40,000,000** | *40,000,000* | **40,000,000** | *40,000,000* |
| Issue costs | **(471,258)** | *(471,258)* | **(471,258)** | *(471,258)* |
| Accumulated amortisation | **125,669** | *78,543* | **125,669** | *78,543* |
| Net book amount | **(345,589)** | *(392,715)* | **(345,589)** | *(392,715)* |
| Amortised cost | **39,654,411** | *39,607,285* | **39,654,411** | *39,607,285* |

### 23. Borrowings (continued)

(i) The bank overdraft and bank loans are secured by general hypothecs and a special privilege over the Group's assets. The Group's and Company's banking facilities as at 31st December 2019 amounted to €5,678,790 (2018: €5,778,790) for the Group, and €2,000,000 (2018: €2,000,000) for the Company.

(ii) These represent funds raised by the Company's subsidiary through a bond issue, which have been advanced to Eden Leisure Group Limited at an annual interest rate of 4.2% (2018: 4.2%) per annum. The loan is due for repayment in full on the 28th April 2027. This loan is unsecured.

(iii) By virtue of the Prospectus dated 27 March 2017, Eden Finance p.l.c issued for subscription by the general public 400,000 unsecured bonds having a nominal value of €100 each for an aggregate principal amount of €40,000,000. These bonds have been issued at par.

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

The bonds are subject to the terms and conditions in the prospectus and are listed on the Malta Stock Exchange. The quoted market price as at 31st December 2019 for the 4% unsecured Bonds was €103.50 (2018: €104.90). The directors are of the opinion that this price represents the fair value of these liabilities; as at balance sheet date, the fair value of the bonds therefore amounts to €41,400,000 (2018: €41,960,000). The fair value calculation is classified within Level 1 of IFRS 13's fair value hierarchy.

(iv) This represents an interest free and unsecured loan granted by a third party. This loan is repayable in full in a bullet payment by 31 January 2020.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Interest rate exposure: | | | | |
| At floating rates | **12,018,129** | *13,235,022* | **10,940,887** | *13,235,022* |
| At fixed rates | **39,654,411** | *39,607,285* | **39,654,411** | *39,607,285* |
| Interest free | **1,000,000** | *1,000,000* | **1,000,000** | *1,000,000* |
| **Total borrowings** | **52,672,540** | *53,842,307* | **51,595,298** | *53,842,307* |

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| Weighted average effective interest rates | | | | |
| at the balance sheet date: | **%** | *%* | **%** | *%* |
| Bank overdrafts | **3.00** | *3.00* | **3.00** | *3.00* |
| Bank loans – variable rate | **3.34** | *3.34* | **3.34** | *3.34* |
| Bonds/ related party loan | **4.00** | *4.00* | **4.20** | *4.20* |

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Maturity of long term borrowings: | | | | |
| Between 1 and 5 years | **7,200,890** | *8,379,883* | **7,200,890** | *8,379,883* |
| Over 5 years | **41,583,608** | *43,187,178* | **41,583,608** | *43,187,178* |
| | **48,784,498** | *51,567,061* | **48,784,498** | *51,567,061* |

### 24. Share capital

| | Company 2019 € | *2018 €* |
|---|---|---|
| **Authorised share capital** | | |
| 12,057,600 "A" Ordinary shares of €2.50 each | **30,144,000** | *30,144,000* |
| 11,942,400 "B" Ordinary shares of €2.50 each | **29,856,000** | *29,856,000* |
| | **60,000,000** | *60,000,000* |

| | Company 2019 € | *2018 €* |
|---|---|---|
| **Issued and called-up share capital** | | |
| 12,057,600 "A" Ordinary shares of €2.50 each | **30,144,000** | *30,144,000* |
| 11,942,400 "B" Ordinary shares of €2.50 each | **29,856,000** | *29,856,000* |
| | **60,000,000** | *60,000,000* |

The ordinary A shares and ordinary B shares issued by the Company rank *pari passu* in all respects.

### 25. Revaluation reserve

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| As at 1st January | **33,558,948** | *26,395,578* | **30,453,543** | *23,375,173* |
| On property | | | | |
| Gain on revaluation of property | - | *8,846,330* | - | *8,755,573* |
| Deferred tax liability arising on revaluation of property | - | *(1,682,960)* | - | *(1,677,203)* |
| On fair value through OCI | | | | |
| Change in FV of debt instrument at FVTOCI | **5,750** | - | **5,750** | - |
| As at 31st December | **33,564,698** | *33,558,948* | **30,459,293** | *30,453,543* |

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.

### 26. Fair value gain reserve

This reserve represents changes in fair value, net of deferred tax, on the investment properties held by the Group for long-term rental yields. Movement in fair values are presented in profit or loss as part of 'fair value gains on investment property'. Information about the valuation process of the investment property is disclosed in note 13 to these financial statements.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| As at 1st January | **4,989,734** | *489,734* | **4,989,734** | *489,734* |
| Fair value movement, net of deferred tax | - | *4,500,000* | - | *4,500,000* |
| **As at 31st December** | **4,989,734** | *4,989,734* | **4,989,734** | *4,989,734* |

The reserve is considered to be a non-distributable reserve.

### 27. Dividend distributions

| | Company | |
|---|---|---|
| | **2019** | *2018* |
| | **€** | *€* |
| Final dividend | - | - |
| Total net dividend | **3,050,165** | *3,512,036* |
| Total net dividend | **3,050,165** | *3,512,036* |
| Euro per share (net) | **€ 0.127** | *€ 0.146* |

A net interim dividend of €462,400 was approved on 5th June 2019 and a second net interim dividend of €2,587,765 was approved on 28th August 2019.

### 28. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Cash in hand and bank | **8,247,875** | *5,526,620* | **4,535,836** | *2,966,220* |
| Bank overdrafts | **(1,077,242)** | - | - | - |
| | **7,170,633** | *5,526,620* | **4,535,836** | *2,966,220* |

The balances of cash and cash equivalents are available for use by the Group and Company in their entirety.

### 29. 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 | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Revenue** | | | | |
| *Subsidiaries* | | | | |
| Operating fees | - | - | **11,500,000** | *11,710,000* |
| Other sundry services | | | **69,881** | *69,881* |
| *Commonly controlled entity* | | | | |
| Entertainment and related services | **166,554** | *166,512* | - | - |
| **Other operating income** | | | | |
| *Commonly controlled entities* | | | | |
| Rental income | **578,042** | *562,072* | **578,042** | *562,072* |
| **Profit on sale of intellectual property** | | | | |
| *Commonly controlled entities* | | | | |
| Sale of intellectual property | **8,600,000** | - | **8,600,000** | - |
| | **9,344,596** | *728,584* | **20,747,923** | *12,341,953* |
| **Other operating expenses** | | | | |
| *Commonly controlled entities* | | | | |
| Royalty fee | **1,076,500** | - | - | - |
| **Finance costs** | | | | |
| *Subsidiaries* | | | | |
| Interest on other loans | - | - | **1,680,000** | *1,680,000* |

Key management personnel includes the Group CEO and CFO and directors on subsidiary entities. Key management compensation, consisting of directors' remuneration, has been disclosed in note 8 to the financial statements.

Amounts due from/to Group and related parties, in connection with advances, sales and purchases transactions, are disclosed in notes 15, 17 and 21. In the Company's books, amounts due to a subsidiary in connection with Group financing activities are disclosed in note 23 to these financial statements.

### 30. Commitments

**Capital expenditure**

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Authorised but not contracted | **714,259** | *395,791* | **714,259** | *395,791* |
| Contracted but not provided for | **958,021** | *1,188,440* | **958,021** | *1,188,440* |

**Operating lease commitments where the Group company is a lessee**

The Group leases land, buildings and vehicles under non-cancellable operating leases expiring within 2 years to 36 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 12 and the basis of preparation on note 1 for further information.

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

| | Group | |
|---|---|---|
| | **2019** | *2018* |
| | **€** | *€* |
| Not later than 1 year | - | *123,768* |
| Later than 1 year and not later than 5 years | - | *533,308* |
| Later than 5 years | - | *2,873,797* |
| | - | ***3,530,873*** |

### 31. Contingent liabilities

At 31st December 2019, the Group and Company had contingent liabilities in respect of:

(i) Guarantees and performance bonds amounting to €6,569 (2018: €6,569) given to third party creditors.
(ii) A garnishee amounting to € 157,000 (2018: € 157,000) in relation to a pending litigation.

At 31st December 2019, the Group and Company provided general and special hypothecs over the Group and Company's assets to the amount of €1,750,000 (2018: €1,750,000) to a related company Casino Malta Ltd, a commonly controlled entity.

At 31st December 2019 guarantees amounting to €3,778,779 (2018: €3,778,779) were given by the Company with regards to bank facilities of subsidiaries and other related parties.

### 32. 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: market risk (namely, cash flow interest rate risk and fair value 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. A re-assessment of the financial risks which the Group and the Company are exposed to has been made after the balance sheet and up to the date of approval of these financial statements as a result of the onset of the COVID-19 pandemic and its impact on the Group's operations. This is further disclosed in note 36 – Events after the reporting period.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, and quoted prices, will affect the Group's income or financial position. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises on its interest-bearing borrowings, deposits held with banks, and debt investments. Borrowings issued at variable rates, comprising bank borrowings, expose the Group to cash flow interest rate risk. The Group's bank borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate and three month Euribor. The directors monitor the level of floating rate borrowings as a measure of cash flow risk taken on.

The Group has adopted a cautious risk policy with regards to interest rate fluctuation through the issue of a €40,000,000 ten year bond incurring interest of 4%. Debt securities issued at fixed rates, bank deposits and investments in FVOCI instruments (comprising debt investments) expose the Group to fair value interest rate risk.

Bank deposits and borrowings are carried at amortised cost. Accordingly, a shift in interest rates would not have an impact on profit or loss or other comprehensive income.

A shift in interest rates on borrowings at variable rates and FVOCI debt investments will however have an impact on profit or loss or other comprehensive income. The directors consider the potential impact on the Group's profit or loss of a defined interest rate shift of 1%, that is reasonably possible, at the end of the reporting period keeping all other variables constant, to amount to +/- €100,000 (2018: +/- €100,000). The impact of a reasonably possible shift in interest rates is not expected to impact the fair value of FVOCI financial assets materially and therefore the directors believe that the potential impact of such a shift on other comprehensive income is immaterial.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments at FVOCI and FVPL, 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 | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Carrying amounts** | | | | |
| Financial assets at amortised cost | **8,628,497** | *1,553,404* | **12,864,588** | *7,714,704* |
| Trade and other receivables | **3,676,792** | *2,820,841* | **503,670** | *466,743* |
| Deposits | **2,000,000** | - | **2,000,000** | - |
| Cash at hand and in bank | **8,247,875** | *5,526,620* | **4,535,836** | *2,966,220* |
| Debt investments at FVOCI | **855,750** | - | **855,750** | - |
| Debt investments at FVTPL | - | *512,500* | - | *512,500* |
| | **23,408,914** | *10,413,365* | **20,759,844** | *11,660,167* |

### 32. Financial risk management (continued)

Financial assets at amortised cost comprise of loans advanced by the Company to a related undertaking that does not form part of the Group as described in note 17 and of amounts owed by other related undertakings that do not form part of the Group as described in note 15. These loans are unsecured; therefore, the failure of the related undertakings could have an 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. 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.

*Impairment of financial assets*

The Group's and the Company's financial assets that are subject to the expected credit loss model include:

- trade receivables and accrued income relating to the provision of services;
- other financial assets at amortised cost, comprising loans receivable and amounts due from related parties and, in the case of the Company, subsidiary undertakings
- debt investment carried at FVOCI;
- deposits; and
- cash and cash equivalents.

The Group's and the Company's ECL assessment as at 31 December 2019 does not take into account the impact that COVID-19 may have on the recoverability of its debt instruments, since this has been treated as a non-adjusting event. For further detail, refer to note 36.

*Trade receivables and accrued income*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued income.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the accrued income since they have substantially the same characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 and 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on the assessment carried out in accordance with the above methodology, the identified expected credit loss allowance on trade receivables and accrued income was deemed immaterial. The movement in loss allowances as at 31 December 2019 and 2018 is also deemed immaterial by management. On this basis, the information pertaining to loss rates and loss allowances in the Group's provisions matrix, which would have otherwise been required by IFRS 7, is not presented as at 31 December 2019 and 2018.

### 32. Financial risk management (continued)

Separately from the above methodology, the Group has also identified that a provision of €81,843 was required as at 31 December 2019 (2018: €12,458) with respect to counterparties which have been placed into liquidation or are in a difficult economic situation. The assessment on these individual counterparties did not have an impact on the identified loss rates and expected credit losses identified on the rest of the Group's trade receivables and accrued income.

Trade receivables and accrued income are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

*Other financial assets at amortised cost*

The Group's and the Company's other financial assets at amortised cost which are subject to IFRS 9's general impairment model include the following balances:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| Amounts due from subsidiaries | **-** | - | **3,963,506** | *6,183,938* |
| Amounts due from associates and joint venture | **354,943** | *474,380* | **354,943** | *474,380* |
| Amounts due from commonly-controlled entities | **716,554** | *1,079,024* | **694,139** | *1,056,386* |
| Other receivables from commonly-controlled entities | **7,557,000** | - | **7,852,000** | - |
| | **8,628,497** | *1,553,404* | **12,864,588** | *7,714,704* |

The Group and the Company monitor intra-group credit exposures at individual entity level on a regular basis and ensure timely performance of these assets in the context of its overall liquidity management. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

As at 31 December 2019 and 2018, the majority of loans with related parties were on terms that allowed the Group to request repayment of the balance as at reporting date (i.e. repayable on demand). In such cases, when assessing the ECL, the directors base their assessment on the assumption that the loan is demanded at the reporting date.

Where the counterparties' financial position suggests that it does not have sufficient liquid assets at balance sheet date to repay the loan if this is demanded, the probability of default is deemed to be 100%. Given that most of the related party relationships of such balances are between entities under common control, the directors assess the loss given default of the balance by analysing recovery strategies that the Group would allow, taking cognisance of such related party relationship. These recovery strategies typically include a projection of the net cash flows emanating from allowing the counterparty to operate, incorporating multiple forward-looking scenarios that take into account all reasonable and supportable information available to the Group. In making this analysis, the Group also takes into account any support of shareholders in place.

After making this analysis, the directors concluded that the resulting loss-given-default rates are low, such that when applied to the PD x LGD x EAD methodology to calculate the IFRS 9 ECL allowance, the resulting impairment charge required was deemed to be immaterial.

*Financial assets at FVOCI*

The Company invests in listed debt securities in the local market. The Company assesses the credit risk of each debt security individually on a regular basis and recognises any impairment required using IFRS 9's general approach. As at 31 December 2019, the Company's management have not identified any significant increases in credit risk pertaining to the bond issuers with which the Company have invested. Accordingly, the Company uses a 12-month probability of default to calculate the required provision. The default rates are based on information issued by known credit rating agencies.

### 32. Financial risk management (continued)

The Company's management have concluded, based on their assessment, that the required provision on such debt investments is immaterial as at reporting date.

*Cash at bank and deposits*

The Group's cash, including both that classified as cash and cash equivalents, and as deposits, is placed with reputable financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the companies within the Group. While cash and cash equivalents and deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

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 21 and 23. 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.

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.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | *2018* | **2019** | *2018* |
| | **€** | *€* | **€** | *€* |
| **Within one year** | | | | |
| Trade and other payables | **10,960,004** | *9,704,599* | **5,040,044** | *6,274,884* |
| Bank and other borrowings | **3,158,407** | *2,675,764* | **3,158,407** | *2,675,764* |
| Bonds | **1,600,000** | *1,600,000* | **1,600,000** | *1,600,000* |
| Lease liabilities | **193,725** | - | - | - |
| | **15,912,136** | *13,980,363* | **9,798,451** | *10,550,648* |
| **Between 2 and 5 years** | | | | |
| Trade and other payables | **177,401** | *400,036* | - | - |
| Bank and other borrowings | **7,960,282** | *8,394,051* | **7,960,282** | *8,394,051* |
| Bonds | **6,400,000** | *6,400,000* | **6,400,000** | *6,400,000* |
| Lease liabilities | **531,093** | - | - | - |
| | **15,068,776** | *15,194,087* | **14,360,282** | *14,794,051* |
| **Over 5 years** | | | | |
| Bank and other borrowings | **1,992,104** | *3,495,515* | **1,992,104** | *3,495,515* |
| Bonds | **44,800,000** | *46,400,000* | **44,800,000** | *46,400,000* |
| Lease liabilities | **2,873,797** | - | - | - |
| | **49,665,901** | *49,895,515* | **46,792,104** | *49,895,515* |
| | **80,646,813** | *78,969,965* | **70,950,837** | *75,240,214* |

### 32. Financial risk management (continued)

The amount of trade and other payables, for both the Group and Company, classified as repayable within one year in the table above, are contractually repayable on demand.

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: based on information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: information for the asset or liability that is not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The key financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

| | Group and company | |
|---|---|---|
| | **2019** | *2018* |
| | **€** | *€* |
| **Level 1** | | |
| *Financial assets at fair value through other comprehensive income* | | |
| - listed bonds | **855,750** | - |
| *Financial assets at fair value through profit or loss* | | |
| - listed bonds | - | *512,500* |
| | **855,750** | *512,500* |

Financial instruments not measured at fair value

At 31 December 2019 and 31 December 2018 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, together with the related fair value disclosures, are presented in note 23.

The capital structure of the Group consists of net debt (borrowings as presented in note 23 after deducting cash and bank balances, presented in note 28) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests, as presented in the Statement of Changes in Equity). The Group is subject to externally imposed capital requirements by bankers of the Group. These requirements have been met.

The Group monitors the capital structure on a monthly basis by monitoring the balances of assets and liabilities.

### 33. Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The capital structure of the Group consists of net debt (borrowings as presented in note 23 after deducting cash and bank balances, presented in note 28) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests, as presented in the Statement of Changes in Equity). The Group is subject to externally imposed capital requirements by bankers of the Group. These requirements have been met.

The Group monitors the capital structure on a monthly basis by monitoring the balances of assets and liabilities.

### 34. Cash flow information

Reconciliation of liabilities arising from financing activities

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

| **Group** | **As at 31 December 2018** | **Adoption of IFRS 16** | **Cashflows** | **Other liability related changes** | **As at 31 December 2019** |
|---|---|---|---|---|---|
| | **€** | **€** | **€** | **€** | **€** |
| Bank borrowings | **13,235,022** | - | (2,294,135) | - | **10,940,887** |
| Bonds | **39,607,285** | - | - | 47,126 | **39,654,411** |
| Third party loans | **1,000,000** | - | - | - | **1,000,000** |
| Lease liability | - | 1,678,275 | (80,885) | 242,819 | **1,840,209** |
| | **53,842,307** | **1,678,275** | **(2,375,020)** | **289,945** | **53,435,507** |

| **Group** | **At 31 December 2017** | **Cash flows** | **Other liability related changes** | **At 31 December 2018** |
|---|---|---|---|---|
| | **€** | **€** | **€** | **€** |
| Bank borrowings | 15,495,290 | (2,260,268) | - | 13,235,022 |
| Bonds | 39,560,159 | - | 47,126 | 39,607,285 |
| Third party loans | 1,000,000 | - | - | 1,000,000 |
| | **56,055,449** | **(2,260,268)** | **47,126** | **53,842,307** |

### 34. Cash flow information (continued)

| Company | As at 31 December 2018 | Cashflows | Other liability related changes | As at 31 December 2019 |
|---|---|---|---|---|
| | € | € | € | € |
| Bank borrowings | **13,235,022** | (2,294,135) | - | **10,940,887** |
| Third party loans | **1,000,000** | - | - | **1,000,000** |
| Related party loans | **39,607,285** | - | 47,126 | **39,654,411** |
| | **53,842,307** | **(2,294,135)** | **47,126** | **51,595,298** |

| Company | As at 31 December 2017 | Cashflows | Other liability related changes | As at 31 December 2018 |
|---|---|---|---|---|
| | € | € | € | € |
| Bank borrowings | **15,495,290** | (2,260,268) | - | **13,235,022** |
| Third party loans | **1,000,000** | - | - | **1,000,000** |
| Related party loans | **39,560,159** | - | 47,126 | **39,607,285** |
| | **56,055,449** | **(2,260,268)** | **47,126** | **53,842,307** |

### 35. Sale of intellectual property

With effect from 1st January 2019 the Group divested itself from the Intellectual Property and rights associated with the brands,' Cynergi' and 'Bay', to a newly formed company EIP Limited, which is a commonly controlled entity, for a value of €8.6m. At the same time EIP Limited licenced the brands to Eden Entertainment Limited for the sole and exclusive use of the brands. These related party transactions are disclosed in note 29.

### 36. Events after the reporting period

**Overall risk to the Group's operations**

The spread of COVID-19 to Europe in early 2020 severely impacted all economies worldwide. In many countries, including Malta, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. As a result the Group's operations have already been significantly impacted in 2020.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact.

The duration and impact of the COVID-19 pandemic, as well as government fiscal assistance packages remains fluid. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

**Business closures**

The hotels experienced cancellations throughout the month of March leaving the Group no option but to close the Holiday Inn Express on the 20$^{th}$ of March and the InterContinental Malta was closed on the 31$^{st}$ of March. The biggest effect to the tourism industry to Malta, although deemed necessary from a health viewpoint, was when the government felt the need to close our airport on the 20$^{th}$ March. This effectively dried up any possible source of visitors to the Island. Cynergi, Cinemas and SuperBowl were mandated to close by Government of Malta on the 16$^{th}$ March although business had all but evaporated in the preceding weeks. The only segment of the business that is currently operating is 897 Bay which has not been forced to close down, however it is to be noted that advertising sales have largely been cancelled for the coming months as companies around the island are forced to stop trading.

**Cost cutting measures**

The directors and senior management have been working tirelessly since February to ensure that the Group is able to survive this pandemic, the like that has not been experienced before in our lifetime. Management has been actively working on processes and procedures to mitigate against closure particularly with regards to payroll where a number of measures including a reduced working week and the using up of annual leave were enacted. As revenues reduce to zero, the Group's operational expenses are being reduced through ongoing discussions with suppliers and payroll is now also being supported through a subsidy offered by Government.

**Customer defaults**

The ECL as at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Subsequent to 31 December 2019, the Group and the Company re-assessed the recoverability of its trade receivables and other financial assets as at year end and considered the impact of COVID-19 on its ECL.

For trade receivables and accrued income, the directors adjusted the historical loss rates emanating from the provision matrix at year-end, to reflect a range of increases in default rates based on 'best' and 'worst' case scenarios. When applying the adjusted loss rates to its outstanding receivables, the loss allowance that would be required remained immaterial.

With respect to other receivables, the directors adjusted the expected net cash flows emanating from recovery strategies by stressing the cash flows to take into account the impact of loss of business due to COVID-19 related closures or declines in business. The Group's assessment of the COVID-19's impact on the ECL on other receivables is still on-going.

### 36. Events after the reporting period (continued)

The assessment for debt investments measured at FVOCI and cash at bank and deposits resulted in negligible differences to the provision calculated at year-end, in view of the low risk of default attributable to these financial assets

**Decline in fair value of assets**
Since 31 December 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity and security markets have experienced significant volatility and weakness, and this could have a potential impact on the financial assets held at FVTOCI. As at 23 April 2020 the date that these financial statements were authorised for issue, the fair value of the Group's property, plant and equipment and investment property have been negatively impacted as a result of an unfavourable change of the input used to calculate the fair value, however, given the uncertainty as to the duration and effect of the pandemic and the business recovery therefrom, the amount of the reduction in value cannot be estimated reliably at the date of approval of these financial statements. These subsequent changes in the fair value of the Group's property, plant and equipment and investment property are non-adjusting post balance sheet events in accordance with IAS 10 – 'Events after the reporting date' and therefore are not required to be reflected in the financial statements as at 31 December 2019.

**Borrowings**
Whilst the true extent and length of this crisis cannot as yet be accurately assessed, the Company will be paying its Bond interest for 2020 due this month and through our existing cash flow, it is further expected that it can meet its interest for the next payment due in April 2021. Repayment of bank borrowings due in financial year 2020 have been part-settled in advance, with the remaining scheduled repayments due in the foreseeable future being catered for in the available liquidity headroom that the Group has as at the date these financial statements were authorised for issue. Eden Leisure Group's history shows a company that has been innovative whilst at the same time cautious and prudent in its financial management.

In the light of all the above, the directors have stressed the previously prepared projections in order to assess the impact on its operations and liquidity in the foreseeable future. The Company's reassessment of projections and cashflow forecasts have taken into account the full extent of the benefit of measures introduced by the Government of Malta and Credit Institutions aimed at assisting entities in the current crises, including reimbursement of an element of employee wages, deferral of direct, indirect and payroll taxes and NI contributions as well moratoria on capital and interest repayments due on bank borrowings.

As at the date of signing these financial statements, based on the cash headroom, sanctioned bank facilities and information currently available, the directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

The Group is continuously assessing and responding effectively to this evolving situation.

### 37. Comparative figures

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

### 38. Statutory information

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