TESTA PROPERTIES LIMITED
(GROUP ACCOUNTS)

REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

For the year ended 31 December 2018

Holding Company Information

Directors :	Mr Jean Paul Testa Ms Hanna Yevheniivna Testa
Secretary :	Mr Jean Paul Testa
Company number :	C 80524
Registered office :	RU 19, The Pjazza, The Point, Tigne Point Sliema
Auditors :	KSi Malta 6, Villa Gauci Mdina Road Balzan Malta
Banker :	Bank of Valletta plc Triq il-Halel Bugibba

Contents

Report of the Directors
For the year ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal Activity

Testa Properties Limited (the 'Company') together with its subsidiaries, are involved in the sale of food and beverages operating under the franchise names of Cibo Pizzeria and French Affaire. The Group includes a subsidiary that owns property to be leased to third parties and another subsidiary whose primary objective is to act as a financial intermediary to related companies forming part of the Group.

Review of Business

During the year under review the Group registered a loss before tax of € 172,179.

Dividends and Reserves

The directors do not recommend the payment of a dividend.

Financial Risk Management

The Group's activities potentially expose it to a variety of financial risks: liquidity risk and credit 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. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are made to customers with an appropriate credit history.

Post Balance Sheet Events

The Directors evaluated subsequent events from 1 January 2019 through 26 April 2019, the date the consolidated financial statements are approved.

On 20 December 2018, the Company issued € 3,900,000 5.5% Unsecured Bonds having a nominal value of € 100 each. The bond issue was admitted to Prospects MTF operated by the Malta Stock Exchange with effect from 9 January 2019. Trading on the bond issue commenced on 10 January 2019. The Bonds are redeemable at par on 9 January 2029.

Report of the Directors (continued)
For the year ended 31 December 2018

Post Balance Sheet Events (continued)

On 10 January 2019, Testa Catering Concepts Limited entered into a Franchise agreement with Beefbar Global Franchise Network Ltd for a period of 10 years and which is extendable to a further 10 years in relation to the franchise 'Beefbar'.

Future Developments

The Group intends to expand its business in the foreseeable future since, it has leased property located in Bugibba at the Islets Promenade to develop it into an international renowned beef restaurant under the name of 'Beefbar', a Lido and a new Cibo outlet at street level. The Group has also entered into a promise of sale agreement to acquire the said property by 30 April 2022.

Directors

The following have served as directors of the holding company during the year under review:

Mr Jean Paul Testa
Ms Hanna Yevheniivna Testa

In accordance with the Company's Articles of Association the present directors remain in office.

Directors' Interest

The directors' beneficial interest in the shares of the Company at 31 December 2018 were as follows:

	Ordinary shares of € 1
Ms Hanna Yevheniivna Testa	320,678
Mr Jean Paul Testa	320,678

Financial Reporting Framework

The directors have resolved to prepare the Group's financial statements for the year 1 January 2018 to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU.

Auditors

KSi Malta have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Mr Jean Paul Testa
Director

Ms Hanna Yevheniivna Testa
Director

26 April 2019

Directors' Responsibilities
For the year ended 31 December 2018

The Companies Act, 1995 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the holding company as at the end of the financial year and of the profit or loss of the Group and the holding company for that year in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Group and the holding company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and holding company and to enable them to ensure that the financial statements comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Group and holding company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible to ensure that the Group and the holding company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Independent Auditors' Report

To the shareholders of Testa Properties Limited

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Testa Properties Limited (the Group and the Holding Company), set out on pages 8 to 42, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and the Holding company as at 31 December 2018, and of its consolidated financial performance and its consolidated 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).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (continued)

Key Audit Matters (continued)

Revenue

The Group generates its revenue from the sale of food and beverages operating under the franchise names of Cibo Pizzeria and French Affaire. We have identified revenue as a key audit matter since most of the sales to the end customers are made in cash.

We obtained an understanding of the methodology used by management to arrive at revenue recognition as well as the handling of cash proceeds generated from the end of day report to the time it is deposited in the bank account of the Company. There is also no segregation of duties with regards to this methodology as well as the preparation and recording of journal entries in the accounting system. We also communicated this with management and noted that they were able to provide satisfactory responses to our questions. Based on the audit work done we obtained sufficient audit evidence that the Group's revenue for the year ended 31 December 2018 is not materially mis-stated.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Directors' Responsibilities. Our opinion on the consolidated financial statements does not cover this information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 we have performed, 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).

In addition, in light of the knowledge and understanding of the Group and the Holding company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Report of the Directors. We have nothing to report in this regard.

Responsibilities of the Directors

The directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

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.

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act, 1995 enacted in Malta to report to you if, in our opinion:

- The information given in the Report of the Directors is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

Joseph Gauci (Partner) for and on behalf of
KSi Malta
Certified Public Accountants

Balzan
Malta

26 April 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2018

	Notes	**Group** 2018 €	**Company** 2018 €
Revenue	8	1,539,051	100,000
Cost of sales	9	(458,499)	-
Gross profit		1,080,552	-
Administration expenses	9	(1,126,027)	(102,698)
Operating loss		(45,475)	(2,698)
Finance costs	9	(126,704)	(11,151)
Net finance cost		(126,704)	(11,151)
Loss before tax		(172,179)	(13,849)
Income tax	10	(7,131)	(32,008)
Loss for the year		€ (179,310)	€ (45,857)
Other comprehensive income for the year			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		€ (179,310)	€ (45,857)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the year ended 31 December 2018

	Notes	**Group** 2018 €	**Company** 2018 €
Loss for the year attributable to:			
Owners of Company		(179,310)	-
Non-controlling interest		-	-
		€ (179,310)	€ (45,857)
Total comprehensive loss for the year attributable to:			
Owners of Company		(179,310)	-
Non-controlling interest		-	-
		€ (179,310)	€ (45,857)
Earnings per share	11	-	-

Consolidated Balance Sheet
As at 31 December 2018

	Notes	Group 2018 €	Company 2018 €
Assets			
Property, plant and equipment	12	4,162,959	407,781
Investment property	12	640,152	640,152
Intangible assets	12	200,002	-
Investment in subsidiaries	18	-	42,500
Deferred tax assets	12	24,877	-
Total non-current assets		5,027,990	1,090,433
Inventories	12	63,948	-
Trade and other receivables	13	316,988	75,590
Cash and cash equivalents	13	55,929	-
Total current assets		436,865	75,590
Total assets		5,464,855	1,166,023
Liabilities			
Borrowings	13	3,397,536	285,774
Deferred tax liabilities	12	32,008	32,008
Total non-current liabilities		3,429,544	317,782
Borrowings	13	866,322	242,489
Trade and other payables	13	724,925	11,153
Total current liabilities		1,591,247	253,642
Total liabilities		5,020,791	571,424
Net assets		€ 444,064	€ 594,599

Consolidated Balance Sheet (continued)
As at 31 December 2018

	Notes	**Group** 2018 €	**Company** 2018 €
Equity			
Share capital	14	641,356	641,356
Retained earnings	14	(197,293)	(46,757)
Equity attributable to owners of the Group		444,063	594,599
Non-controlling interest	15	1	-
Total equity		€ 444,064	€ 594,599

The consolidated financial statements set out on pages 8 to 42 were approved and authorised for issue by the Board on 26 April 2019 and were signed on its behalf by:

Mr Jean Paul Testa
Director

Ms Hanna Yevheniivna Testa
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

Group

	Share capital €	Retained earnings €	Non-controlling interest €	Total €
Changes in equity for 2018				
Balance at 1 January 2018	1,200	(900)	-	300
Increase in share capital	640,156	-	-	640,156
Loss for the year	-	(179,310)	-	(179,310)
Non- controlling interest on acquisition of subsidiary	-	-	1	1
Share of loss on acquisition of subsidiary	-	(17,083)	-	(17,083)
Balance at 31 December 2018	€ 641,356	€ (197,293)	€ 1	€ 444,064

Company

	Share capital €	Retained earnings €	Total €
Changes in equity for 2018			
Balance at 1 January 2018	1,200	(900)	300
Increase in share capital	640,156	-	640,156
Loss for the year	-	(45,857)	(45,857)
Balance at 31 December 2018	€ 641,356	€ (46,757)	€ 594,599

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Group 2018 €	Company 2018 €
Cash flows from operating activities		
Loss before tax	(172,179)	(13,849)
Adjustments for:		
Minority interest	1	-
Depreciation	425,821	94,342
Amortisation	12,500	-
Finance charge	108,453	11,151
Operating profit before working capital changes:	374,596	91,644
Increase in trade and other receivables	75,234	(590)
Increase in inventories	(7,566)	-
Increase in trade and other payables	173,334	10,253
Net cash inflow from operating activities	615,598	101,307
Cash flows from investing activities		
Acquisition of subsidiaries	(42,500)	(12,500)
Payments for property, plant and equipment	(290,685)	(30,413)
Net cash outflow from investing activities	(333,185)	(42,913)
Cash flows from financing activities		
Repayment of bank loans	(75,889)	-
Advances from related party	62,284	-
Advances from third party	29,738	-
Advances from/(Payment of) subsidiary company loans	8,401	(58,394)
Repayment of finance lease liabilities	(287,492)	-
Net cash outflow from financing activities	(262,958)	(58,394)
Net movement in cash and cash equivalents	19,455	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	€ 19,455	€ -

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

1 REPORTING ENTITY AND OTHER INFORMATION

Testa Properties Limited (the Company) is a limited liability company incorporated in Malta. Its ultimate controlling parties are Mr Jean Paul Testa and Ms Hanna Yevheniivna Testa. The registered office of the Company is disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 18.

The following is a list of retail outlets that operates within the Group:

Brand	**Subsidiary**	**Address**
Cibo Pizzeria	Testa Catering Concepts Limited	The Point, Tigne Point, Sliema
Cibo Pizzeria	Testa Catering Concepts Limited	Merchant Street, Valletta
French Affaire	Testa Catering Concepts Limited	The Point, Tigne Point, Sliema

2 BASIS OF ACCOUNTING

These are the Group's first consolidated financial statements prepared in accordance with IFRSs. They were authorised for issue by the Company's board of directors on 26 April 2019.

This is the first set of the Group's annual consolidated financial statements in which IFRS 9 Financial Instruments, and IFRS 15 Revenue from Contracts with Customers have been applied. The Group also opted to apply IFRS 16 Leases in these financial statements.

The financial statements of Testa Properties Limited, for the period 19 April 2017 to 31 December 2017, were prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). The date of transition to IFRSs is the beginning of the earliest period for which the Company presents full comparative information in accordance with IFRSs in these financial statements, hence 19 April 2017.

The financial statements of Testa Catering Concepts Limited, for the year ended 31 December 2017, were prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming integral part of those Regulations ('GAPSME'). The date of transition to IFRS is the beginning of the earliest period for which the Company presents full comparative information in accordance with IFRS in these financial statements, hence 1 January 2017.

The financial statements of Testa Finance PLC, for the period 22 March 2018 to 31 December 2018 were the first set of financial statements prepared.

An explanation of how the transition to IFRSs has affected the reported financial position and financial performance is provided in note 6.

Details of the Group's accounting policies are included in Note 7.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Euro, which is the Company's functional currency.

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	**Subject of amendment**	**Effective date**
IAS 12 Income Taxes	Amendments resulting from *Annual Improvements 2015-2017 Cycle* (income tax consequences of dividends)	1 January 2019
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*	1 January 2019
IAS 23 Borrowings Costs	Amendments resulting from Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalisation)	1 January 2019
IAS 28 Investments in Associates and Joint Ventures	Amendments regarding long-term interests in associates and joint ventures	1 January 2019
IFRS 3 Business Combinations	Amendments resulting from *Annual Improvements 2015–2017 Cycle* (re-measurement of previously held interest)	1 January 2019
IFRS 9 Financial Instruments	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11 Joint Arrangements	Amendments resulting from Annual Improvements 2015-2017 Cycle (re-measurement of previously held interest)	1 January 2019
IFRS 17 Insurance Contracts	Original Issue	1 January 2021
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatment*	1 January 2019
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2019

5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

5.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Estimation of current tax payable and current tax expense – note 10;
- Estimated useful life of property, plant and equipment – note 12;
- Recognition of deferred tax assets/(liabilities) – note 12;
- Leases: whether an arrangement contains a lease – note 13;
- Leases classification – note 13.

6 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

6.1 Change from GAPSME to IFRSs

As explained in note 2, the accounting policies applied by the companies upon transition to IFRSs were consistent with those applied under GAPSME. As a result, the transition to IFRSs had no effect on the reported position and financial performance of the companies.

6.2 Significant Accounting Policies

The Group has initially applied IFRS 16 Leases as from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The effect of initially applying IFRS 16 is attributed to the following:

- A recognition of a right-of-use asset for leased property;
- A recognition of deprecation on right-of use asset;
- A recognition of finance charges in respect of finance lease.

7 ACCOUNTING POLICIES

7.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

7.1.1 Subsidiaries

Subsidiaries are all entities over which the parent company has control. The parent company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which controlled is transferred to the Group. They are deconsolidated from the date that control ceases.

7 ACCOUNTING POLICIES (continued)

7.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (continued)

7.1.1 Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent company.

7.1.2 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the parent's share of the post-acquisition profits or losses of the investee in profit or loss, and the parent's share of movement in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the parent does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

7.2 GOODWILL

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

Goodwill is amortised and is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

7 ACCOUNTING POLICIES (continued)

7.3 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenue from the following major sources as detailed here under:

7.3.1 Operation of Cafeterias and restaurants

Revenue is measured at the fair value of the consideration received. Revenue from sale of food and beverages is recognised at the point of sale in the restaurants and cafeterias of the Company at a point in time.

7.3.2 Rental Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease on the annual income received.

7.4 LEASING

As described in Note 2, the Group has applied IFRS 16 retrospectively from financial statements for the year ending 31 December 2018.

7.4.1 The Group as a Lessee

For any new contracts entered into on or after 1 January 2018, the Group considers whether a contract is or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

7 ACCOUNTING POLICIES (continued)

7.4 LEASING (continued)

7.4.1 The Group as a Lessee (continued)

Measurement and recognition of leases as a lessee

At least commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

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

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

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

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

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

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

On the balance sheet, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in trade and other payables.

- The Group's accounting policy under IFRS 16 was implemented in the current year retrospectivly.
- As a lessor the Group classifies its leases as either operating or finance leases.
- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

7 ACCOUNTING POLICIES (continued)

7.4 LEASING (continued)

7.4.1 The Group as a Lessee (continued)

Finance Leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset.

Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic useful life. The interest element is charged to profit or loss, as finance costs over the period of the lease.

7.4.2 The Group as a lessor

Operating Leases

Rental income is recognised on a straight-line basis over the term of the lease.

7.5 FOREIGN CURRENCY AMOUNTS

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

7.6 BORROWING COSTS

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

7 ACCOUNTING POLICIES (continued)

7.7 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

7.8 SHORT TERM AND OTHER LONG TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

7.9 INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

7 ACCOUNTING POLICIES (continued)

7.9 INCOME TAX (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from 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 income 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.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

7.10 PROPERTY, PLANT AND EQUIPMENT

The Group accounting policy for land and buildings is explained in note 12.1. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

7 ACCOUNTING POLICIES (continued)

7.10 PROPERTY, PLANT AND EQUIPMENT (continued)

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The depreciation methods and periods used by the Group are disclosed in note 12.1.2.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

7.11 INVESTMENT PROPERTY

Investment properties are held to earn rentals and for capital accretion. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held to earn rentals are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

7.12 INTANGIBLE ASSETS

7.12.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives.

7 ACCOUNTING POLICIES (continued)

7.12 INTANGIBLE ASSETS (continued)

7.12.1 Intangible assets acquired separately (continued)

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

7.12.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

7.13 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

7.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on average cost basis. Net realisable value represent the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

7 ACCOUNTING POLICIES (continued)

7.15 INVESTMENT AND OTHER FINANCIAL ASSETS

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss) and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

7.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

7.17 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised as liability in the period in which they are declared.

8 REVENUE

The Group derives its revenue as disclosed in note 7.3 and as per below:

	Group 2018 €	Company 2018 €
Sale of food and beverages	1,539,051	-
Rental income	-	100,000
	€ 1,539,051	€ 100,000

9 OTHER INCOME AND EXPENSE ITEMS

9.1 Breakdown of expenses by nature

	Group 2018 €	Company 2018 €
Purchases	458,499	-
Staff salaries (note)	356,744	-
Directors' remuneration	90,783	-
Depreciation	93,241	94,342
Depreciation – right of use	332,580	-
Amortisation	12,500	-
Audit fees	5,250	1,500
Other expenses	234,929	6,856
	€ 1,584,526	€ 102,698

Note:

The average number of persons employed by the Group during the current year was 32 (Company: Nil).

9.2 Finance costs

	Group 2018 €	Company 2018 €
Interest on bank overdraft and loans	5,319	-
Bank charges	12,932	-
Finance charge in respect of finance lease	108,453	11,151
	€ 126,704	€ 11,151

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

10 INCOME TAXES

10.1 Income tax

	Group 2018 €	Company 2018 €
Current tax:		
Current tax on taxable income for the year	-	-
Total current tax liabilities	€ -	€ -
Deferred tax:		
Temporary differences arising on investment property	32,008	32,008
Temporary differences arising on unabsorbed capital allowances	(24,877)	-
Total income tax recognised in the current year	€ 7,131	€ 32,008

10.2 Reconciliation of income tax

	Group 2018 €	Company 2018 €
Loss before tax	(172,179)	(13,849)
Theoretical taxation expense at 35%	(60,263)	(4,847)
Disallowable expenses	40,011	36,855
Depreciation on improvement to premises	6,621	-
Amortisation of goodwill	5,833	-
Pre-acquisition share of profit of subsidiary company	14,929	-
	€ 7,131	€ 32,008

11 EARNINGS PER SHARE

Earnings per share is calculated by dividing the results attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Group 2018	**Company** 2018
Loss for the year	(172,179)	(13,849)
Weighted number of ordinary shares	641,356	641,356
Basic earnings per share	-	-

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

12 NON-FINANCIAL ASSETS AND LIABILITIES

12.1 Property, plant and equipment

Group	Improvements to premises €	Air-conditioning €	Furniture & fittings €	Motor vehicles €	Computer equipment €	Computer software €	Electrical plumbing €	Catering equipment €	Right of use assets €	Total €
Cost/Revalued amount										
At 1 January 2018	-	-	-	-	-	-	-	-	-	-
Pre-acquisition additions	158,505	66,473	357,276	13,026	55,565	3,700	89,274	92,947	2,048,175	2,884,941
Additions	57,811	-	81,746	12,642	7,049	-	87,238	44,199	2,291,520	2,582,205
At 31 December 2018	216,316	66,473	439,022	25,668	62,614	3,700	176,512	137,146	4,339,695	5,467,146
Depreciation										
At 1 January 2018	-	-	-	-	-	-	-	-	-	-
Pre-acquisition charge for the year	16,920	6,357	74,229	13,026	33,602	3,531	3,662	72,955	654,084	878,366
Charge for the year	15,534	3,545	35,796	2,528	6,655	169	10,862	18,152	332,580	425,821
At 31 December 2018	32,454	9,902	110,025	15,554	40,257	3,700	14,524	91,107	986,664	1,304,187
Carrying amounts										
At 31 December 2018	€ 183,862	€ 56,571	€ 328,997	€ 10,114	€ 22,357	€ -	€ 161,988	€ 46,039	€ 3,353,031	€ 4,162,959

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

12 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

12.1 Property, plant and equipment (continued)

Company	Right on use asset €	Assets under construction €	Total €
Cost			
At 1 January 2018	-	-	-
Additions	471,710	30,413	502,123
At 31 December 2018	471,710	30,413	502,123
Depreciation			
At 1 January 2018	-	-	-
Charge for the year	94,342	-	94,342
At 31 December 2018	94,342	-	94,342
Carrying amounts			
At 31 December 2018	€ 377,368	€ 30,413	€ 407,781
At 31 December 2017	€ -	€ -	€ -

Note:

Under improvements to premises there are assets under construction amounting of € 30,413 which relates to the development of the leased property at Islet Promenade in Bugibba. No depreciation is charged on these assets under construction.

12.1.1 Right of use assets

Right of use assets includes immovable property held by the Group/Company under finance lease.

	Group 2018 €	**Company** 2018 €
Leased property		
Cost	4,339,695	471,710
Accumulated depreciation	(986,664)	(94,342)
Net book amount	€ 3,353,031	€ 377,368

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

12 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

12.1.2 Depreciation

Items of property, plant and equipment are recognised at historical costs less depreciation. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of the residual values, over the estimated useful lives or, in the case of leasehold property the shorter lease term as follows:

	%
Improvements to premises	10
Air-conditioning	16.66
Furniture and fixtures	10
Motor vehicles	20
Office equipment	25
Computer software	25
Catering equipment	16.66
Installation and electrical plumbing	6.99

12.2 Investment property

	Group 2018 €	**Company** 2018 €
Leased property		
Additions	640,152	640,152
Balance at close of year	€ 640,152	€ 640,152

12.2.1 Fair value measurement of the Group's investment property

Investment properties are held for capital appreciation. The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. The fair value measurement of the Group's land and buildings as at 31 December 2018 were performed by Architect and Civil Engineer Kurt Vella, an independent valuer not related to the Group. The valuation conforms to International Valuation Standards. The fair value of the land and building was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Group

	Fair value €
<u>2018</u>	
<u>Investment property</u>:	
Apartment 2, Les Lapins, Triq il-Markizi Zimmermann Barbaro, Sliema	320,740
Apartment 1, Block 1, Salina Park, Triq Andrew Cunningham, Qawra	319,412
	€ 640,152

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

12 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

12.3 Intangible assets

Group	Intangible asset €
Cost	
Acquired by the group	250,000
At 31 December 2018	250,000
Amortisation	
Acquired by the group	37,498
For the year	12,500
At 31 December 2018	49,998
Carrying amounts	
At 31 December 2018	€ 200,002

12.4 Deferred tax assets

	Group 2018 €	Company 2018 €
The balances comprises temporary differences attributable to:		
Deferred tax asset	24,877	-
Investment property	(32,008)	(32,008)
	€ (7,131)	€ (32,008)

	Total Group €	Total Company €
At 1 January 2017/At 31 December 2017	-	-
At 1 January 2018	-	-
Credited:		
- to profit or loss	(7,131)	(32,008)
At 31 December 2018	€ (7,131)	€ (32,008)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2018

12 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

12.5 Inventories

	Group 2018 €	Company 2018 €
Food and beverages	58,816	-
Cutlery and related items	5,132	-
	€ 63,948	€ -

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group/Company hold the following financial instruments:

	Notes	Group 2018 €	Company 2018 €
Financial assets			
Financial assets at amortised cost	13.2	884	-
Other receivables	13.1	316,104	75,590
		€ 316,988	€ 75,590
Financial liabilities			
Trade and other payables	13.3	724,925	11,153
Borrowings	13.4	4,263,858	528,263
		€ 4,988,783	€ 539,416

13.1 Other receivables

	Group 2018 €	Company 2018 €
Current assets		
Other receivables	303,985	75,590
Prepayments	12,119	-
	€ 316,104	€ 75,590

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

13.2 Other financial assets at amortised cost

The Group/Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows;
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	Group 2018 €	Company 2018 €
Current assets		
Amounts due from related party (note)	884	-
	€ 884	€ -

Further information relating to amounts due from related party and key management personnel is set out in note 19.

13.3 Trade and other payables

	Group 2018 €	Company 2018 €
Current liabilities		
Trade payables (note)	506,026	3,868
Other payables (note)	197,870	-
Accruals	21,029	7,285
	€ 724,925	€ 11,153

Note:

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

13.4 Borrowings

	Group 2018 €	Company 2018 €
Secured		
Current liabilities		
Leased liabilities	326,154	97,087
Bank loan (note a)	80,189	-
Bank overdraft (note b)	109,022	-
	515,365	97,087
Unsecured		
Current liabilities		
Amounts due to third parties (note c)	350,957	-
Amounts due from related parties	-	28,796
Amounts due from group companies	-	116,606
	350,957	145,402
Total secured/unsecured current liabilities	€ 866,322	€ 242,489

	Group 2018 €	Company 2018 €
Secured		
Non-Current liabilities		
Leased liabilities	3,397,536	285,774
Total secured non-current liabilities	€ 3,397,536	€ 285,774
Total borrowings	€ 4,263,858	€ 528,263

Note:

a) Bank loan

The Group enjoys bank loan facilities with its bankers. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over properties of the Group, by pledges taken over various insurance policies and by personal guarantees of the directors and shareholders. The annual interest rate on bank loan is 5.65%.

13 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

13.4 Borrowings (continued)

b) Bank overdraft

The Group enjoys bank overdraft facilities with its bankers. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over properties of the Group, by pledges taken over various insurance policies and by personal guarantees of the directors and shareholders. The annual interest rate on bank overdrafts is 5.65%.

c) Amounts due to third parties

Amounts due to third parties are interest free and has no fixed date of repayment.

13.5 Cash and cash equivalents

	Group 2018	Company 2018
Current assets		
Cash at bank and in hand	€ 55,929	€ -

14 EQUITY

14.1 Share capital

	Company 2018
Authorised	
641,356 ordinary shares of €1 each	€ 641,356
Called-up, issued and fully paid	
641,356 ordinary shares of €1 each	€ 641,356

14.2 Retained earnings

Group	€
At 1 January 2018	(900)
Loss for the year attributable to owners	(179,310)
Share of loss on acquisition of subsidiary	(17,083)
At 31 December 2018	€ (197,293)

Company	
At 1 January 2018	(900)
Loss for the year	(45,857)
At 31 December 2018	€ (46,757)

15 NON-CONTROLLING INTEREST

Acquisition of non-controlling interest by the Company	€	1
At 31 December 2018	€	1

16 FINANCIAL RISK MANAGEMENT

16.1 Financial risk management objectives

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

16.2 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. As at the reporting date, the Group has variable interest-bearing liabilities.

As at the consolidated balance sheet date, the Group's exposure to changes in interest rates on bank overdrafts held with financial institutions was limited as the level of borrowings with variable interest-bearing liabilities is immaterial with the level of borrowings.

16.3 Credit risk

Credit risk arises from credit exposure to customers and amounts held with financial institutions (notes 13.1 and 13.5). The maximum credit exposure to credit risk at the reporting date in respect of the financial assets was as follows:

	Group 2018 €
Trade and other receivables	316,104
Cash at bank	20,174
	€ 336,278

16 FINANCIAL RISK MANAGEMENT (continued)

16.4 Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (note 13.3 and 13.4). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amounts €	Contractual cash flows €	On demand €	Within one year €	Between two and five years €	After five years €
At 31 December 2018						
Bank overdrafts	109,022	109,022	109,022	109,022	-	-
Trade and other payables	724,921	724,921	724,921	724,921	-	-
Finance lease liabilities	3,723,690	3,723,690	326,154	326,154	1,355,517	2,042,019
Bank loans	80,189	80,189	80,189	80,189	-	-
Amounts due to third parties	350,957	350,957	350,957	350,957	-	-
	€ 4,988,779	€ 4,688,779	€ 1,591,243	€ 1,591,243	€ 1,355,517	€ 2,042,019

The Group continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

17 CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debts (borrowings as detailed in note 17 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 14 and 15).

17 CAPITAL MANAGEMENT (continued)

17.1 Gearing ratio

The Group's gearing ratio at the end of the reporting period was as follows:

	Group 2018 €
Debt (i)	4,263,858
Cash and bank balances	55,929
Net debt	4,207,929
Equity (ii)	444,064
Net debt to equity ratio	9.48%

Notes:

(i) Debt is defined as long-and short-term borrowings.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

18 INVESTMENT IN SUBSIDIARIES

The investment in group undertakings is as follows:

	Company €
<u>Cost</u>	
At 1 January 2018	-
Additions	42,500
At 31 December 2018	€ 42,500

18 INVESTMENT IN SUBSIDIARIES (continued)

18.1 Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting power held
			2018
Testa Catering Concepts Limited	To operate Cibo Pizzeria restaurants and French Affaire cafeteria	RU 19, The Pjaza, The Point, Tigne Point, Sliema	100%
Testa Finance PLC	To act as a finance and investment company	RU 19, The Pjaza, The Point, Tigne Point, Sliema	99.9%

Note:

This is the first year that consolidated accounts are being prepared since Testa Finance PLC was registered with the Malta Registry of Companies on 22 March 2018 and Testa Properties Limited acquired the shares in Testa Catering Concepts Limited on 10 April 2018.

The assets and liabilities recognised as a result of the acquisition of Testa Catering Concepts Limited were as follows:

	€
Cash	25,362
Other debtors	454,917
Property, plant and equipment	612,484
Intangible assets	212,499
Trade payables	(550,687)
Bank overdraft	(97,912)
Bank loan	(156,078)
Other loans	(271,552)
Pre-acquisition profits	(199,033)
Net assets acquired	€ 30,000

Financial Support:

On 20 December 2018, the Company issued € 3,900,000 5.5% Unsecured Bonds having a nominal value of € 100 each. The bond issue was admitted to Prospects MTF operated by the Malta Stock Exchange with effect from 9 January 2019. Trading on the bond issue commenced on 10 January 2019. The Bonds are redeemable at par on 9 January 2029. Interest on the bond issued is payable annually in arrears on 9 January.

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18 INVESTMENT IN SUBSIDIARIES (continued)

Financial Support (continued):

These funds were used to finance the purchase of property in Bugibba at the Islets Promenade together with its improvements, additions and alternations, repayments of existing borrowings and facilities from credit institutions, repayment of a third-party loan and working capital obligations and repayments due by Group companies.

19 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

19.1 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group 2018
Directors' remuneration	€ 90,783

19.2 Loans from/(loans to) related parties

Current assets	Group 2018	Company 2018
Related parties	€ 884	€ (28,796)

20 COMMITMENTS FOR EXPENDITURE

	Group 2018
Commitments for the acquisition of property, plant and equipment	€ 75,000

During the year under review the Group had contracted capital commitments with regards to purchase of immovable property for the aggregate amount of € 3,000,000. During the year under review the Group had € 75,000 as deposits paid on account on such immovable property.

21 CONTINGENT LIABILITIES

At year end, the Group had bank guarantees for € 69,000 in favour of third parties. These guarantees have arisen in the ordinary course of the Group's business and no material losses are anticipated.

22 POST BALANCE SHEET EVENTS

The Directors evaluated subsequent events from 1 January 2019 through 26 April 2019, the date the consolidated financial statements are approved.

On 20 December 2018, the Company issued € 3,900,000 5.5% Unsecured Bonds having a nominal value of € 100 each. The bond issue was admitted to Prospects MTF operated by the Malta Stock Exchange with effect from 9 January 2019. Trading on the bond issue commenced on 10 January 2019. The Bonds are redeemable at par on 9 January 2029.

On 10 January 2019, Testa Catering Concepts Limited entered into a Franchise agreement with Beefbar Global Franchise Network Ltd for a period of 10 years and which is extendable to a further 10 years in relation to the franchise 'Beefbar'.