TESTA PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

TESTA PROPERTIES LIMITED

Company Information

Directors :	Ms Hanna Yevheniivna Testa Mr Jean Paul Testa
Secretary :	Mr Jean Paul Testa
Company number :	C 80524
Registered office :	RU 19, The Pjazza The Point Tigne Point Sliema Malta
Auditors :	KSi Malta 6, Villa Gauci Mdina Road Balzan BZN 9031 Malta

TESTA PROPERTIES LIMITED

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

The company principal activity is to act as a holding company and to own property to be used by other group companies.

Review of Business

The loss for the year after tax amounted to € 45,857. The company entered into a lease agreement to lease property in St Paul's Bay. The lease is for a period of 5 years. The property is then leased back to a subsidiary company.

Dividends and Reserves

The directors do not recommend the payment of a dividend.

Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks: liquidity risk and credit risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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 Company 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 Company 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 company's financial statements are approved. The company's concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

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

Future Developments

The company will continue developing the former 'Serena Beach Club' at Islet Promenade in Bugibba. The company will develop this property into a Lido, a Cibo restaurant and an international renowned beef restaurant under the name of 'Beefbar'. This property will then be managed by the subsidiary Testa Catering Concepts Limited.

Directors

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

Ms Hanna Yevheniivna Testa
Mr Jean Paul 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 Company's financial statements for the for the year ended 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.

Ms Hanna Yevheniivna Testa Director	Mr Jean Paul 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 company as at the end of the financial year and of the profit or loss of the 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 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 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 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 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 Financial Statements

We have audited the financial statements of Testa Properties Limited, set out on pages 8 to 35, which comprise the balance sheet as at 31 December 2018, and the statement of profit or 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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).

Other Matter

The financial statements of Testa Properties Limited for the period 19 April 2017 to 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 8 February 2018.

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

Independent Auditors' Report (continued)

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 financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the 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 company and its 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 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.

Independent Auditors' Report (continued)

Auditors' 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 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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.

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

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

	Notes	2018 €	2017 (8 months) €
Other income	7	100,000	-
Administrative expenses	7	(102,698)	(900)
Operating loss		(2,698)	(900)
Finance costs	7	(11,151)	-
Net finance costs		(11,151)	-
Loss before tax		(13,849)	(900)
Income tax expense	8	(32,008)	-
Loss for the year/period		(45,857)	(900)
Other comprehensive income for the year/period			
Other comprehensive income for the year/period		-	-
Total comprehensive expense for the year/period		€ (45,857)	€ (900)

TESTA PROPERTIES LIMITED

Balance Sheet
As at 31 December 2018

	Notes	2018 €	2017 €
Assets			
Non-current assets			
Property, plant and equipment	9	407,781	-
Investment property	9	640,152	-
Investment in subsidiary	15	42,500	-
Total non-current assets		1,090,433	-
Current assets			
Other receivables	10	75,590	76,200
Total current assets		75,590	76,200
Total assets		1,166,023	76,200
Liabilities			
Non-current liabilities			
Borrowings	10	285,774	-
Deferred tax liabilities	9	32,008	-
Total non-current liabilities		317,782	-
Current liabilities			
Trade and other payables	10	11,153	900
Borrowings	10	242,489	75,000
Total current liabilities		253,642	75,900
Total liabilities		571,424	75,900
Net assets		€ 594,599	€ 300
Equity			
Share capital	11	641,356	1,200
Retained earnings	11	(46,757)	(900)
Total equity		€ 594,599	€ 300

The financial statements on pages 8 to 35 were approved and authorised for issue by the Board on 26 April 2019 and were signed on its behalf:

Ms Hanna Yevheniivna Testa
Director

Mr Jean Paul Testa
Director

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

	Share capital €	Retained earnings €	Total €
Changes in equity for 2017			
Issue of share capital	1,200	-	1,200
Loss for the period (as GAPSME)	-	(900)	(900)
Balance at 31 December 2017 (as GAPSME)	1,200	(900)	300
Conversion to IFRSs			
Adoption of IFRSs	-	-	-
Balance at 31 December 2017 (as IFRSs)	1,200	(900)	300
Changes in equity for 2018			
Balance at 1 January 2018	1,200	(900)	300
Increase of 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

Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018 €	2017 (8 months) €
Cash flows from operations activities			
Cash generated from/(used in) operations	12	101,307	(76,200)
Net cash inflow/(outflow) from operating activities		101,307	(76,200)
Cash flows from investing activities			
Payments for acquisition of subsidiary		(12,500)	-
Payments for property, plant and equipment		(30,413)	-
Loan (to)/from subsidiary		(58,394)	76,200
Net cash (outflow)/inflow from investing activities		(101,307)	76,200
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the financial year/period		-	-
Cash and cash equivalents at end of year/period		€ -	€ -

1 REPORTING ENTITY

Testa Properties Limited is a limited liability company domiciled and incorporated in Malta. The company's registered office is RU19, The Pjazza, The Point, Tigne Point, Sliema. The company was formed with the intention to act as a holding company and to rent out the investment property.

2 BASIS OF ACCOUNTING

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

Details of the Company's accounting policies are included in Note 17.

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

These are the Company's first financial statements prepared under IFRSs. The Company's previous financial statements, 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.

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

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 Company's financial statements are disclosed below. The Company 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 Company'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 8;
- Estimated useful life of property, plant and equipment – note 9.1;
- Recognition of deferred tax liabilities – note 9.3;
- Leases: whether an arrangement contains a lease – note 10.4;
- Leases classification – note 10.4.

6 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

6.1 Change from GAPSME to IFRS

As explained in note 2, the company first-time adopted IFRS in these financial statements. The date of transition to IFRS is 1 January 2018.

The accounting policies applied by the company upon transition to IFRS were consistent with those applied under GAPSME. As a result, the transition to IFRS had no effect on the company's reported position and financial performance.

6.2 Significant Accounting Policies

The company has initially applied IFRS 16 Leases 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 Company's financial statements.

The effect of initially applying these standards 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 OTHER INCOME AND EXPENSE ITEMS

7.1 Other Income

	2018	2017 (8 months)
Rental income and sub-lease rental income	€ 100,000	€ -

7.2 Breakdown of expenses by nature

	2018 €	2017 (8 months) €
Depreciation	94,342	-
Audit fees	1,500	900
Other expenses	6,856	-
Total administrative expenses	€ 102,698	€ 900

7.3 Finance costs

	2018	2017 (8 months)
Finance charges in respect of finance lease	€ 11,151	€ -

8 INCOME TAX EXPENSE

8.1 Income Tax Expense

	2018 €	2017 (8 months) €
Current tax		
Current tax on taxable income for the year/period	-	-
Total current tax expense	€ -	€ -

8 INCOME TAX EXPENSE (continued)

8.1 Income Tax Expense (continued)

	2018	2017 (8 months)
	€	€
Deferred income tax		
Increase in deferred tax liabilities	32,008	-
Total deferred tax expense	32,008	-
Income tax expense	€ 32,008	€ -

8.2 Reconciliation of income tax expense

	2018	2017 (8 months)
	€	€
Loss before tax	(13,849)	(900)
Theoretical tax expense @ 35%	(4,847)	(315)
Tax effect of amounts which are not deductible in calculating taxable income:		
Sundry items	36,855	315
	€ 32,008	€ -

9 NON-FINANCIAL ASSETS AND LIABILITIES

9.1 Property, Plant and Equipment

	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	€ -	€ -	€ -

9.1.1 Leased assets

Property includes the following amounts where the Company is a lessee under a finance lease (refer to note 10.4 for further details):

	2018 €	2017 €
Leased property		
Cost	471,710	-
Accumulated depreciation	(94,342)	-
Net book amount	€ 377,368	€ -

9 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

9.1 Property, Plant and Equipment (continued)

9.1.2 Depreciation method and useful lives

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:

- Leased property 5 years

No depreciation is charged on assets under construction.

9.2 Investment Property

	2018 €	2017 €
Leased property		
Opening balance at 1 January	-	-
Additions	640,152	-
Closing balance at 31 December	€ 640,152	€ -

9.2.1 Measuring investment property at fair value

Investment properties are held for capital appreciation. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

9.3 Deferred Tax Balances

9.3.1 Deferred tax liabilities

	2018	2017
The balance comprises temporary differences attributable to:		
Investment property	€ 32,008	€ -

9 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

9.3 Deferred Tax Balances (continued)

9.3.1 Deferred tax liabilities (continued)

	Investment property €	Total €
At 1 January 2018	-	-
Charged - to profit or loss	32,008	32,008
At 31 December 2018	€ 32,008	€ 32,008

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The company holds the following financial instruments:

	Notes	2018 €	2017 €
Financial assets			
Other receivables	10.1	75,590	75,000
Other financial assets	10.2	-	1,200
		€ 75,590	€ 76,200
Financial liabilities			
Trade and other payables	10.3	11,153	900
Borrowings	10.4	528,263	75,000
		€ 539,416	€ 75,900

10.1 Other receivables

	2018	2017
Current assets		
Other receivables (note)	€ 75,590	€ 75,000

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

10.1 Other receivables (continued)

Note:

Other receivables amounts generally arise from transactions outside the usual operating activities of the Company.

10.2 Other financial assets at amortised cost

The 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:

	2018	2017
Current assets		
Loan from related parties (note)	€ -	€ 1,200

Note:

Further information relating to loan to related parties and key management personnel is set out in note 16.

10.3 Trade and other payables

	2018 €	2017 €
Current liabilities		
Trade payables (note)	3,868	-
Accruals	7,285	900
	€ 11,153	€ 900

10 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

10.3 Trade and other payables (continued)

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.

10.4 Borrowings

	2018 €	2017 €
Secured		
Current liabilities		
Leased liabilities (note)	€ 97,087	€ -
Non-current liabilities		
Leased liabilities (note)	€ 285,774	€ -
Unsecured		
Current liabilities		
Amounts due to related parties	28,796	-
Amounts due to group companies	116,606	75,000
	€ 145,402	€ 75,000
Total Borrowings	€ 528,263	€ 75,000

Note:

<u>Finance lease</u>:

The Company leases property with a carrying amount of €382,861 under finance leases expiring within four years.

11 EQUITY

11.1 Share Capital

	2018	2017
Authorised		
641,356 (2017:1,200) ordinary shares of €1	€ 641,356	€ 1,200
Called up, issued and fully paid up		
641,356 (2017:1,200) ordinary shares of €1	€ 641,356	€ 1,200

Note:

Ordinary shares have a par value of €1. They entitle the holder to participate in dividends and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

11.2 Retained Earnings

Movement in retained earnings were as follows:

	€
At 19 April 2017	-
Net loss for the period	(900)
At 31 December 2017	(900)
At 1 January 2018	(900)
Net loss for the year	(45,857)
At 31 December 2018	€ (46,757)

12 CASH FLOW INFORMATION

12.1 Cash generated from operations

	2018	2017 (8 months)
	€	€
Loss before tax	(13,849)	(900)
Adjustments for:		
Depreciation	94,342	-
Interest expense	11,151	-
Operating profit/(loss) before working capital changes	91,644	(900)
Change in work in capital:		
Increase in trade receivables	(590)	(76,200)
Increase in trade payables	10,253	900
Cash generated from/(used in) operations	€ 101,307	€ (76,200)

13 FINANCIAL RISK MANAGEMENT

The company's risk management is carried out by the board of directors. There are written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidities.

13.1 Credit risk

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

	2018	2017
Other receivables	€ 75,590	€ 75,000

13 FINANCIAL RISK MANAGEMENT (continued)

13.1 Credit risk (continued)

With respect to amounts receivable from customers, the Company assesses on an ongoing basis the credit quality of the customers, taking into account financial position, past experience and other factors. The Company manages credit limits and exposures actively in a practical manner such that there are no material past due amounts receivable from customers as at the reporting date. The Company has no significant concentration of credit risk arising from third parties.

13.2 Liquidity risk

The Company 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. Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The following table analyses the Company'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 2017						
Trade and other payables	900	900	900	900	-	-
Amounts due to group companies	75,000	75,000	75,000	75,000	-	-
	€ 75,900	€ 75,900	€ 75,900	€ 75,900	€ -	€ -
At 31 December 2018						
Trade and other payables	11,153	11,153	11,153	11,153	-	-
Amounts due to group companies	116,606	116,606	116,606	116,606	-	-
Amounts due to related party	28,796	28,796	28,796	28,796	-	-
Finance lease	382,861	382,861	97,087	97,087	285,774	-
	€ 539,416	€ 539,416	€ 539,416	€ 539,416	€ 285,774	€ -

14 CAPITAL MANAGEMENT

14.1 Risk Management

The company's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

	2018 €	2017 €
Net debt	528,263	-
Total equity	594,599	-
Net debt to equity ratio	88%	-

15 INVESTMENT IN SUBSIDIARIES

	2018 €	2017 €
At 1 January	-	-
Additions	42,500	-
At 31 December	€ 42,500	€ -

15.1 Summary of acquisition

On 22 March 2018, Testa Properties Limited acquired 100% of the issued share capital of Testa Finance PLC. Details of the purchase consideration is as follows:

15 INVESTMENT IN SUBSIDIARIES (continued)

15.1 Summary of acquisition (continued)

	2018
Ordinary shares issued	€ 12,500

On 10 April 2018, Testa Properties Limited acquired 100% of the issued share capital of Testa Catering Concepts Limited. Details of the purchase consideration is as follows:

	2018
Ordinary shares issued	€ 30,000

The assets and liabilities recognised as a result of the acquisition 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

16 RELATED PARTY TRANSACTIONS

16.1 Parent Entity

The company is controlled by Mr Jean Paul Testa and Ms Hanna Yevheniivna Testa who each hold 50% of the entity issued capital and who are also the ultimate beneficial owners of the group.

16 RELATED PARTY TRANSACTIONS (continued)

16.2 Transactions with other related parties

	2018	2017
<u>Other income</u>		
Rental income from Testa Catering Concepts Limited	€ 100,000	€ -

16.3 Loans from/(to) related companies/parties

	2018	2017
Loans to Testa Catering Concepts Limited (note)	€ 116,606	€ 75,000
Loans from/(to) ultimate beneficial owner (note)	€ 28,796	€ (1,200)

Note:

Loans from/(to) related party and company are unsecured, interest free, with no fixed date of repayment.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

17.1 Principles of Consolidation and Equity Accounting

17.1.1 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.

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.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.1 Principles of Consolidation and Equity Accounting (continued)

17.1.2 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.

17.2 Revenue

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 Company 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 Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

17.3 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.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.3 Income Tax (continued)

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.

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.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.4 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. 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).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

17.5 Leases

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

17.5.1 The Company as a Lessee

For any new contracts entered into on or after 1 January 2018, the Company 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 Company 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 Company;

- the Company 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 Company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.5 Leases (continued)

17.5.1 The Company as a Lessee

Measurement and recognition of leases as a lessee

At least commencement date, the Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist.

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

On the statement of financial position, 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.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.5 Leases (continued)

17.5.2 The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Company 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.

The Company as a lessee

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 Company 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 life.

See the accounting policy note 9 in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element is charged to profit or loss, as finance costs over the period of the lease.

The Company as a lessor

Operating Leases

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

17.6 Investment and Other Financial Assets

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

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.6 Investment and Other Financial Assets (continued)

- 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 Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company 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.

17.7 Property, Plant and Equipment

The Company's accounting policy for land and buildings is explained in note 9.1. 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.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.7 Property, Plant and Equipment (continued)

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. 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 Company are disclosed in note 9.1.

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 Company's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

17.8 Investment Properties

The Company's accounting policy for investment property is disclosed in note 9.2.

17 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

17.9 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

17.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.