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Dragonara Catering Limited

Report & Financial Statements

30 June 2018

Company registration number: C 50411

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2018.

Principal activities

The principal activity of the company is to operate retail, catering and entertainment establishments.

Review of business development

During the year under review, the company's food and beverage function generated total revenue of €630,366 an uplift of 4 percent when compared with previous year's revenue of €604,689. Gross profit came in at €418,637 an increase of 12 percent when compared with the previous year's gross profit of €373,372. The resultant gross profit margin of 66 percent was more efficient than last year's gross profit margin of 62 percent. Other revenue of €392,621 grew by 7 percent over same period last year. Administrative expenses for the year under review of €699,284 were fairly consistent, and similar, to those incurred during the same period of the prior year.

The company posted a net profit after tax of €69,987 (2017: 29,066).

Directors

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

Johann Schembri
Mark Bianchi
Franco De Gabriele
Svetlana Buckova

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

Disclosure of information to auditor

At the date of making this report, the directors confirm the following:

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing their report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 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 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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 have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. 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.

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.

Johann Schembri
Director

Mark Bianchi
Director

Registered address:
Dragonara Casino Complex
Dragonara Road
St. Julian's
Malta

18 February 2019

Income statement

	Notes	2018	2017
		€	€
Revenue		630,366	604,689
Cost of sales		(211,729)	(231,317)
Gross profit		**418,637**	**373,372**
Other income		392,621	366,205
Administrative expenses		(699,284)	(689,839)
Profit before tax	7	**111,974**	**49,738**
Tax expense	8	(41,987)	(20,672)
Profit for the year		**69,987**	**29,066**

Statement of financial position

	Notes	2018	2017
		€	€
Assets			
Non-current			
Property, plant and equipment	9	258,358	330,703
Deferred tax asset	10	89,360	131,347
		347,718	**462,050**
Current			
Inventories	11	55,223	50,302
Trade and other receivables	12	29,723	20,803
Cash	13	1,832	7,190
		86,778	**78,295**
Total assets		**434,496**	**540,345**

Statement of financial position – continued

	Notes	2018	2017
		€	€
Equity			
Share capital	14	10,000	10,000
Accumulated losses		(381,778)	(451,765)
Total deficit		**(371,778)**	**(441,765)**
Liabilities			
Current			
Trade and other payables	15	**806,274**	**982,110**
Total equity and liabilities		**434,496**	**540,345**

The financial statements on pages 4 to 20 were approved by the board of directors, authorised for issue on 18 February 2019 and signed on its behalf by:

Johann Schembri
Director

Mark Bianchi
Director

Statement of changes in equity

	Share capital	Accumulated losses	Total deficit
	€	€	€
At 1 July 2016	10,000	(480,831)	(470,831)
Profit for the year	-	29,066	29,066
At 30 June 2017	**10,000**	**(451,765)**	**(441,765)**
At 1 July 2017	10,000	(451,765)	(441,765)
Profit for the year	-	69,987	69,987
At 30 June 2018	**10,000**	**(381,778)**	**(371,778)**

Accumulated losses include all current and prior period results as disclosed in the income statement.

Statement of cash flows

	Notes	2018	2017
		€	€
Operating activities			
Profit before tax		111,974	49,738
Depreciation of property, plant and equipment		84,222	83,477
Net changes in working capital	16	(189,677)	35,877
Net cash generated from operating activities		**6,519**	**169,092**
Investing activity			
Payments to acquire property, plant and equipment		(11,877)	(166,355)
Cash used in investing activity		**(11,877)**	**(166,355)**
Net changes in cash		(5,358)	2,737
Cash at beginning of year		7,190	4,453
Cash at end of year	13	**1,832**	**7,190**

Notes to the financial statements

1 Nature of operations

The principal activity of the company is to operate retail, catering and entertainment establishments.

2 General information and statement of compliance with International Financial Reporting Standards (IFRSs)

Dragonara Catering Limited (the 'company'), a private limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is Dragonara Casino Complex, Dragonara Road, St. Julians, Malta.

The parent company is Dragonara Gaming Limited of the same address. The ultimate parent company is Pinnacle Gaming Group Limited with registered office and principal place of business at Pinnacle Gaming Group, Level 11, Portomaso Business Tower, St. Julians, Malta.

Pinnacle Gaming Group Limited prepares the consolidated financial statements of the group, of which the company forms part.

The financial statements of the company have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386.

The financial statements are presented in euro (€), which is also the company's functional currency.

3 Going concern

The financial statements have been drawn up on a going concern basis. At the reporting date, the company had net current liabilities of € 719,496 (2017: € 903,815) and net liabilities of € 371,778 (2017: € 441,765).

However, of the total liabilities € 270,256 (2017: € 605,951) was owed to the company's parent company, Dragonara Gaming Limited (see note 15). The directors have obtained assurance that the parent company will not call for payment of the amount due before third party balances are settled.

Based on the foregoing, the directors confirm that it remains appropriate to prepare the financial statements on a going concern basis.

4 Changes in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

Amendments to IFRSs that became mandatorily effective in 2017 have no material impact on the company's financial results or position. Accordingly, the company has made no changes to its accounting policies in the current year.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) that are not yet effective, and have not been adopted early by the company. Information on those expected to be relevant to the company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the company's financial statements.

IFRS 9 'Financial Instruments'

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the company's trade receivables in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Management does not anticipate a material impact of IFRS 9 on the company's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management does not anticipate a material impact of IFRS 15 on the company's financial statements.

5 Summary of accounting policies

5.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below. The accounting policies have been consistently applied by the company and are consistent with those used in previous year.

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently management has elected to present only an income statement.

5.2 Revenue

Revenue arises from the sale of food and beverages.

Revenue is measured by reference to the fair value of consideration received or receivable by the company for goods supplied and services provided, excluding VAT, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the company's activities have been met.

5.3 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

5.4 Employee benefits

The company pays fixed contributions towards the state pension in accordance with local legislation. The company has no legal or constructive obligations to pay contributions in addition to fixed contributions which are recognised as expense in the period that employee services are received.

5.5 Property, plant and equipment

Items of property, plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment as follows:

	Years
Leasehold improvements	10
Plant and equipment	5
Computer equipment	4
Furniture, electrical and sanitary fittings	8
Catering equipment	5

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

5.6 Impairment testing of property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the company's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the company's management.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

5.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the company are classified into loans and receivables upon initial recognition.

Loans and receivables are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that loans and receivables are impaired.

All income and expenses relating to loans and receivables are presented within 'finance income' and 'finance cost', except for impairment of trade receivables which is presented within administrative expenses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and trade and most receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The company's financial liabilities include trade and other payables. These are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'finance costs'.

5.9 Income taxes

Tax income recognised in income statement comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

5.10 Cash

Cash comprises cash at bank.

5.11 Equity

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and prior period results.

5.12 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the company and they can be measured reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as product warranties, legal disputes or onerous contracts. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the company's management.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.13 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant management judgement

Below is a significant management judgement in applying the accounting policies of the company that has the most significant effect on the financial statements.

Recognition of deferred tax assets

The assessment of the probability of future taxable income in which deferred tax asset can be utilised is based on the company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognised in full.

Estimation uncertainty

Information about estimates and assumptions that has the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the company. The carrying amounts are analysed in note 9. Actual results, however, may vary due to technical obsolescence, particularly relating to software and computer equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

6 Staff costs

	2018	2017
	€	€
Wages and salaries	306,236	355,102
Social security costs	24,329	25,406
Other staff costs	2,663	7,224
	333,228	**387,732**
Wages and salaries recharged by parent company	42,092	16,764
Wages and salaries recharged to parent company	(47,941)	(56,921)
	327,379	**347,575**

The average number of persons employed by the company was 21 (2017: 24). The staff costs recharged by the parent company relates to an average of 3 employees for 2018 (2017: 2).

7 Profit before tax

The profit before tax is stated after charging:

	2018	2017
	€	€
Depreciation of property, plant and equipment	84,222	83,477
Auditor's remuneration	3,800	3,526

8 Tax expense

The relationship between the expected expense based on the effective tax rate of Dragonara Catering Limited at 35% (2017: 35%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2018	2017
	€	€
Profit before tax	111,974	49,738
Tax rate	35%	35%
Expected tax expense	**(39,191)**	**(17,408)**
Adjustment for:		
Non-deductible expenses	(2,796)	(3,264)
Actual tax expense, net	**(41,987)**	**(20,672)**
Comprising:		
Deferred tax expense	**(41,987)**	**(20,672)**

Please refer to note 10 for information on the entity's deferred tax asset.

9 Property, plant and equipment

Details of the company's property, plant and equipment and their carrying amounts are as follows:

	Leasehold improvements	Plant & equipment	Computer equipment	Furniture, electrical & sanitary fittings	Catering equipment	Work in progress	Total
	€	€	€	€	€		€
Gross carrying amount							
Balance at 1 July 2017	79,883	45,119	23,506	486,149	122,182	-	756,839
Additions	-	-	2,493	6,077	3,307	-	11,877
Balance at 30 June 2018	**79,883**	**45,119**	**25,999**	**492,226**	**125,489**	-	**768,716**
Depreciation							
Balance at 1 July 2017	50,719	6,969	15,443	247,524	105,481	-	426,136
Depreciation for the year	7,988	5,649	2,941	61,304	6,340	-	84,222
Balance at 30 June 2018	**58,707**	**12,618**	**18,384**	**308,828**	**111,821**	-	**510,358**
Carrying amount at 30 June 2018	**21,176**	**32,501**	**7,615**	**183,398**	**13,668**	-	**258,358**
Gross carrying amount							
Balance at 1 July 2016	79,883	6,621	16,765	361,927	109,849	15,439	590,484
Additions	-	23,059	6,741	124,222	12,333	-	166,355
Reclassifications	-	15,439	-	-	-	(15,439)	-
Balance at 30 June 2017	**79,883**	**45,119**	**23,506**	**486,149**	**122,182**	-	**756,839**
Depreciation							
Balance at 1 July 2016	42,731	4,089	12,259	187,352	96,228	-	342,659
Depreciation for the year	7,988	2,880	3,184	60,172	9,253	-	83,477
Balance at 30 June 2017	**50,719**	**6,969**	**15,443**	**247,524**	**105,481**	-	**426,136**
Carrying amount at 30 June 2017	**29,164**	**38,150**	**8,063**	**238,625**	**16,701**	-	**330,703**

All depreciation is included within 'administrative expenses' in the income statement.

10 Deferred tax asset

Deferred tax arising from temporary differences, unutilised tax losses and unused capital allowances is summarised as follows:

	1 July 2017 €	Recognised in income statement €	30 June 2018 €
Property, plant and equipment	7,005	2,910	9,915
Unused tax losses	58,051	-	58,051
Unused capital allowances	66,291	(44,897)	21,394
Total	**131,347**	**(41,987)**	**89,360**

Deferred tax for the comparative period 2017 can be summarised as follows:

	1 July 2016 €	Recognised in income statement €	30 June 2017 €
Property, plant and equipment	3,734	3,271	7,005
Unused tax losses	58,051	-	58,051
Unused capital allowances	90,234	(23,943)	66,291
Total	**152,019**	**(20,672)**	**131,347**

11 Inventories

Inventories recognised in the statement of financial position can be analysed as follows:

	2018 €	2017 €
Food	8,627	6,712
Beverage	21,554	14,812
Others	25,042	28,778
	55,223	**50,302**

During the year, a total of € 211,729 (2017: € 231,317) of inventories was included in the income statement as expense.

12 Trade and other receivables

	2018 €	2017 €
Trade receivables	2,099	-
Financial asset	**2,099**	**-**
Advance payments	-	16,999
Prepayments	27,624	3,804
Trade and other receivables	**29,723**	**20,803**

The carrying value of the financial asset is considered a reasonable approximation of fair value.

13 Cash

Cash in the statement of financial position and statement of cash flows include the following component:

	2018 €	2017 €
Cash at bank	1,832	7,190

The company did not have any restrictions on its cash at bank as at year end.

14 Share capital

The share capital of Dragonara Catering Limited consists of ordinary A and B shares with a par value of € 1 each. Ordinary A shares are equally eligible to receive dividends and represent one vote at the shareholders' meeting of Dragonara Catering Limited. The holder of ordinary B share has no voting rights and has no right to receive dividends.

	2018 €	2017 €
Shares authorised, issued and fully paid-up at 30 June		
9,999 ordinary A shares of € 1 each	9,999	9,999
1 ordinary B share of € 1	1	1
	10,000	**10,000**

15 Trade and other payables

	2018 €	2017 €
Trade payables	332,652	257,876
Amounts owed to parent company	270,256	605,951
Accrued expenses	19,331	36,010
Financial liabilities	**622,239**	**899,837**
Advances from customers	6,198	-
Statutory liabilities	177,837	82,273
Trade and other payables	**806,274**	**982,110**

The amounts owed to parent company are unsecured, interest free and repayable on demand.

The carrying value of financial liabilities is considered to be a reasonable approximation of fair value.

16 Net changes in working capital

The following net changes in working capital have been made to the profit before tax to arrive at operating cash flow:

	2018 €	2017 €
Net changes in working capital:		
Change in inventories	(4,921)	(19,009)
Change in trade and other receivables	(8,920)	973
Change in trade and other payables	(175,836)	53,913
	(189,677)	**35,877**

17 Related party transactions

The company's related parties include its ultimate parent company, parent company, key management and others as described below.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash. Amounts owed to the parent company are shown separately in note 15.

17.1 Transactions with parent company

	2018 €	2017 €
Total complimentary food and beverage charged to parent company	188,081	177,953
Management fee charged to parent company	381,356	355,085
Wages recharged by parent company	42,092	16,764
Wages recharged to parent company	47,941	56,921

18 Financial instrument risks

Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from both its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risk.

The most significant financial risk to which the company is exposed are described below. See also note 18.3 for a summary of the company's financial assets and liabilities by category.

18.1 Credit risk

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	Notes	2018 €	2017 €
Classes of financial assets - carrying amount			
Loans and receivables:			
- Trade and other receivables	12	2,099	-
- Cash	13	1,832	7,190
		3,931	**7,190**

The credit risk for liquid funds is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

18.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise trade and other payables (see note 15). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's obligations when they become due.

The company manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The company's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

As at 30 June 2018 and 2017, the company's financial liabilities are all current.

18.3 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 5.8 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2018 €	2017 €
Current assets			
Loans and receivables:			
- Trade and other receivables	12	2,099	-
- Cash	13	1,832	7,190
		3,931	**7,190**
Current liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables	15	622,239	899,837

19 Capital management policies and procedures

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders.

The company monitors the level of debt, which includes trade and other payables less the bank balance against total capital on an ongoing basis. The directors consider the company's gearing level at year end to be appropriate for its business.

20 Post-reporting date events

No adjusting or other significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Independent auditor's report

To the shareholders of Dragonara Catering Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dragonara Catering Limited set out on pages 4 to 20 which comprise the statement of financial position as at 30 June 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

Basis for opinion

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

Emphasis of matter

We draw your attention to the disclosure made in note 3 to the financial statements concerning the company's financial position. The financial statements have been prepared on the going concern basis, the validity of which depends on the continuing financial support of the company's shareholder. Our opinion is not qualified in this report.

Other information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 and 3 which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other 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 directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Act.

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

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, 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 relating 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 have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
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Birkirkara BKR 3000
Malta

18 February 2019

Authorised User Digital Signature:	ROC Representative Digital Signature:
Signer: Ekaterina GAVRIKOVA (Signature) Date: Mon, Aug 12, 2019 23:45:05 CEST	Signer: Ivan CAMILLERI (Signature) Date: Fri, Sep 6, 2019 15:52:11 CEST