

Dragonara Catering Limited
Report & Financial Statements
30 June 2021

Contents

Directors' report	2
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Independent auditor's report	22

Directors' report

The directors herewith present their report and the audited financial statements for the year ended 30 June 2021.

Principal activities

The company's core activity is to operate retail, catering and entertainment establishments.

Review of business development

During the year under review, the Company's performance was once again negatively impacted by the on-going effects of the Covid-19 pandemic. Three factors have primarily impacted the Company's performance:

- 1) **Second Closure:** Due to the heightening in the number of infections, during the first semester of 2021, the public health authorities mandated a second closure of all hospitality-related establishment venues. In fact, both the casino operation (managed and operated by Dragonara Gaming Limited being the parent of the Company) as well as the Company's food and beverage function (serviced from a dedicated area located within the Dragonara Casino establishment) were completely halted for a full quarter between 11th March and 6th June 2021.
- 2) **Travel:** The international public health restrictions led to a drastic decline in the number of inbound tourism coming to Malta, which is a major market segment of the Company's revenue generation.
- 3) **Labour Cost:** Even though the Company did not operate for a consecutive period of three months, consistent with its core values, the Company adopted once again a policy to retain all its workforce and not declare any redundancies during such commercially challenging period. It must be noted that the impact of labour cost was partially softened by the Wage Supplement received from Government.

In the context of foregoing, the Company generated a total revenue of €371,308 (2020: €544,411) which translated into a gross profit of €238,849 (2020: €369,066) resulting into a gross profit margin of 64% (Previous Year 68%). During the year under review, the company posted a net loss after corporation tax of €33,409 (2020: Loss €4,426).

The Directors anticipate that the next financial year will be one that essentially reflects a year of post-pandemic stabilisation in which, although still prevalent, public health restrictions may not be so restrictive as in previous years, particularly due to successfully vaccination programme.

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 year.

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

31 January 2022

Statement of comprehensive income

	Notes	2021	2020
		€	€
Revenue		371,308	544,411
Cost of sales		(132,459)	(175,345)
Gross profit		<u>238,849</u>	<u>369,066</u>
Other income		100,187	161,541
Administrative expenses		(384,566)	(531,417)
Loss before tax	7	<u>(45,530)</u>	<u>(810)</u>
Tax income / (expense)	8	12,121	(3,616)
Loss for the year after tax		<u>(33,409)</u>	<u>(4,426)</u>

Statement of financial position

	Notes	2021 €	2020 €
Assets			
Non-current			
Property, plant and equipment	9	106,497	150,482
Deferred tax asset	10	20,550	8,429
		<u>127,047</u>	<u>158,911</u>
Current			
Inventories	11	54,571	53,830
Trade and other receivables	12	23,863	8,503
Cash and cash equivalents	13	4,511	17,006
		<u>82,945</u>	<u>79,339</u>
Total assets		<u>209,992</u>	<u>238,250</u>

Statement of financial position – continued

	Notes	2021 €	2020 €
Equity			
Share capital	14	10,000	10,000
Accumulated losses		(280,359)	(246,950)
Total deficit		(270,359)	(236,950)
Liabilities			
Current			
Trade and other payables	15	480,351	474,728
Tax payable		-	472
Total liabilities		480,351	475,200
Total equity and liabilities		209,992	238,250

The financial statements on pages 4 to 21 were approved by the board of directors, authorised for issue on 31 January 2022 and signed on its behalf by:


Johann Schembri
Director


Mark Bianchi
Director

Statement of changes in equity

	Share capital €	Accumulated losses €	Total €
At 1 July 2019	10,000	(242,524)	(232,524)
Loss for the year	-	(4,426)	(4,426)
At 30 June 2020	10,000	(246,950)	(236,950)
At 1 July 2020	10,000	(246,950)	(236,950)
Loss for the year	-	(33,409)	(33,409)
At 30 June 2021	10,000	(280,359)	(270,359)

Accumulated losses include all current and prior year's results as disclosed in the statement of comprehensive income.

Statement of cash flows

	Notes	2021 €	2020 €
Operating activities			
Loss before tax		(45,530)	(810)
Depreciation of property, plant and equipment		44,775	54,285
Net changes in working capital	16	(10,478)	(59,588)
Tax paid		(472)	-
Net cash used in operating activities		<u>(11,705)</u>	<u>(6,113)</u>
Investing activity			
Payments to acquire property, plant and equipment		(790)	(5,262)
Net cash used in investing activity		<u>(790)</u>	<u>(5,262)</u>
Net changes in cash		(12,495)	(11,375)
Cash at beginning of year		17,006	28,381
Net cash at end of year	13	<u>4,511</u>	<u>17,006</u>

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. Julian's, Malta.

The parent company is Dragonara Gaming Limited of the same address. The ultimate parent company is IZI Group p.l.c. (formerly known as Pinnacle Gaming Group Limited) with registered office and principal place of business at IZI Group p.l.c., Level 11, Portomaso Business Tower, St. Julian's, Malta. The ultimate controlling party is Mr Johann Schembri as majority shareholder of IZI Group p.l.c.

IZI Group p.l.c. prepares the consolidated financial statements of the group, of which the company forms part, which are available for public inspection at the Registry of Companies in Malta.

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

The financial statements are presented in euro (€), which is also the company's functional currency. The amounts presented in the financial statements have been rounded to the nearest euro.

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 € 397,406 (2020: € 395,861) and net liabilities of € 270,539 (2020: € 236,950).

However, of the total liabilities € 180,539 (2020: € 43,083) 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 and will continue to provide support for the company to meet its obligations.

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 Standards adopted as at 1 July 2020

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020. These and other amendments to IFRS that became mandatorily effective in 2020 have no material impact on the company's financial results or position. Accordingly, the company has made no changes to its accounting policies in 2020.

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, several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the company.

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, amendments and interpretations have not been disclosed as they are not expected to have a material impact 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'.

5.2 Revenue recognition

Revenue arises from the sale of food and beverages.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognised when performance obligations have been satisfied and the consideration to which the company expects to be entitled to can be measured reliably.

The company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the company expects to be entitled under the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

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 Expense recognition

Expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

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 & equipment	5
Computer equipment	4
Furniture, electrical & sanitary fittings	8
Catering equipment	5

Material residual value estimates and estimates of useful life are updated as required but at least annually.

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

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

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 expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the years presented, the company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets are presented within finance costs or finance income, except for impairment of receivables which is presented within 'administrative expenses'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and,

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. 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.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost, trade receivables (if any), contract assets recognised and measured under IFRS 15, where applicable.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and subsequent measurement of financial liabilities

The company's financial liabilities include trade and other payables (except statutory liabilities).

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the company designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs or finance income.

5.9 Income taxes

Tax income recognised in statement of comprehensive income 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 statement of comprehensive income, 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 and cash equivalents

Cash and cash equivalents comprise 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 reporting 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 reporting 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 asset

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 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

	2021 €	2020 €
Wages and salaries	227,894	240,649
Social security costs	15,959	21,257
Other staff costs	1,419	1,997
	<u>245,272</u>	<u>263,903</u>
Wages and salaries recharged by parent company	49,550	88,778
Wages and salaries recharged to parent company	(27,750)	(32,988)
	<u>267,072</u>	<u>319,693</u>

The average number of persons employed by the company was 15 (2020: 16). The staff costs recharged by the parent company relates to an average of 1 employee for 2021 (2020: 1).

7 Loss before tax

The loss before tax is stated after charging:

	2021 €	2020 €
Depreciation of property, plant and equipment	44,775	54,285
Auditor's remuneration	4,492	4,320

8 Tax income / (expense)

The relationship between the expected tax income based on the effective tax rate of the company at 35% (2020: 35%) and the tax income / (expense) actually recognised in the statement of comprehensive income can be reconciled as follows:

	2021 €	2020 €
Loss before tax	(45,530)	(810)
Tax rate	35%	35%
Expected tax income	<u>15,936</u>	<u>283</u>
Adjustment for:		
Non-deductible expenses	(3,815)	(3,899)
Actual tax income / (expense)	<u>12,121</u>	<u>(3,616)</u>
Comprising:		
Losses surrendered from group companies	-	(2,877)
Deferred tax expense	12,121	(739)
	<u>12,121</u>	<u>(3,616)</u>

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

9 Property, plant and equipment

	Leasehold improvements €	Plant & equipment €	Computer equipment €	Furniture, electrical & sanitary fittings €	Catering equipment €	Total €
Gross carrying amount						
Balance at 1 July 2020	79,883	47,160	25,999	502,273	127,449	782,764
Additions	-	-	790	-	-	790
Balance at 30 June 2021	79,883	47,160	26,789	502,273	127,449	783,554
Depreciation						
Balance at 1 July 2020	74,686	23,746	24,411	388,984	120,455	632,282
Depreciation for the year	5,034	5,446	1,066	29,324	3,905	44,775
Balance at 30 June 2021	79,720	29,192	25,477	418,308	124,360	677,057
Carrying amount at 30 June 2021	163	17,968	1,312	83,965	3,089	106,497
Gross carrying amount						
Balance at 1 July 2019	79,883	46,488	25,999	498,803	126,329	777,502
Additions	-	672	-	3,470	1,120	5,262
Balance at 30 June 2020	79,883	47,160	25,999	502,273	127,449	782,764
Depreciation						
Balance at 1 July 2019	66,698	18,256	21,838	354,817	116,388	577,997
Depreciation for the year	7,988	5,490	2,573	34,167	4,067	54,285
Balance at 30 June 2020	74,686	23,746	24,411	388,984	120,455	632,282
Carrying amount at 30 June 2020	5,197	23,414	1,588	113,289	6,994	150,482

10 Deferred tax asset

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

	1 July 2020 €	Recognised in statement of comprehensive income €	30 June 2021 €
Property, plant and equipment	8,429	258	8,687
Unutilised capital allowances	-	11,863	11,863
Total	8,429	12,121	20,550

Deferred tax for the year ended 30 June 2020 can be summarised as follows:

	1 July 2019 €	Recognised in statement of comprehensive income €	30 June 2020 €
Property, plant and equipment	9,168	(739)	8,429
Total	9,168	(739)	8,429

11 Inventories

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

	2021	2020
	€	€
Food	12,399	8,248
Beverage	16,594	19,163
Others	25,578	26,419
	<u>54,571</u>	<u>53,830</u>

During the year, a total of € 132,459 (2020: € 175,345) of inventories was included in the statement of comprehensive income as expense.

12 Trade and other receivables

	2021	2020
	€	€
Trade receivables	1,378	2,613
Accrued income	10,160	-
Other receivables	11,464	-
Financial assets	<u>23,002</u>	<u>2,613</u>
Prepayments	861	5,890
Trade and other receivables	<u>23,863</u>	<u>8,503</u>

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

13 Cash and cash equivalents

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

	2021	2020
	€	€
Cash at bank	<u>4,511</u>	<u>17,006</u>

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.

	2021	2020
	€	€
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
	<u>10,000</u>	<u>10,000</u>

15 Trade and other payables

	2021 €	2020 €
Trade payables	129,027	214,774
Amounts owed to parent company	180,539	43,083
Accrued expenses	10,702	7,037
Financial liabilities	320,268	264,894
Statutory liabilities	160,083	209,834
Trade and other payables	480,351	474,728

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 flows:

	2021 €	2020 €
Net changes in working capital:		
Change in inventories	(741)	4,488
Change in trade and other receivables	(15,360)	12,902
Change in trade and other payables	5,623	(76,978)
	(10,478)	(59,588)

17 Related party transactions

The company's related parties include its shareholders, ultimate parent company, parent company, key management and other group companies under common control.

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 related parties are shown separately in note 15.

17.1 Transactions with related parties

Transactions with related parties are disclosed in the financial statements in the notes to which they relate. The following transactions are not disclosed elsewhere in the financial statements:

	2021 €	2020 €
Sales to parent company	232,860	202,194
Management fee charged to parent company	-	125,000
Wages recharged by parent company	49,550	88,778
Wages recharged to parent company	27,750	32,988
Expenses paid by the company on behalf of shareholder	-	13,672

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 financial 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	2021 €	2020 €
Classes of financial assets - carrying amount			
- Trade and other receivables	12	23,002	2,613
- Cash	13	4,511	17,006
		27,513	19,619

The company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties. None of the company's financial assets are secured by collateral or other credit enhancements.

Trade and other receivables include amounts due from customers. The company considers the credit risk associated with balances with customers to be low, having assessed the credit ratings and financial strength of the counterparties involved.

The company holds money exclusively with an institution having high quality external credit ratings. The cash held with such bank are callable on demand. The bank with whom cash are held forms part of an international group with A-3 credit rating by Standard & Poor's and similar ratings by other agencies. Management considers the possibility of default to be close to zero and the amount calculated using the 12-month ECL model to be very insignificant. Therefore, no loss allowance has been recognized.

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 2021 and 2020 the company's financial liabilities are all current.

18.3 Summary of financial assets and financial liabilities by category

The carrying amounts of the company's financial assets and financial 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	2021 €	2020 €
Current assets			
Financial assets measured at amortised cost:			
- Trade and other receivables	12	23,002	2,613
- Cash	13	4,511	17,006
		<u>27,513</u>	<u>19,619</u>
Current liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables	15	<u>320,268</u>	<u>264,894</u>

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 21 which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2021, 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.

- 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.

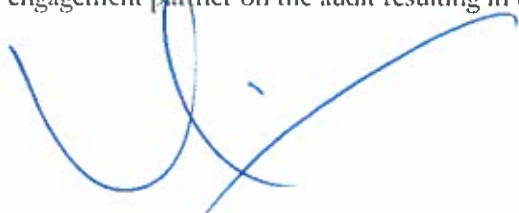
Report on other legal and regulatory requirements

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
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

31 January 2022