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Co Reg no.: C26843

## **Company Announcement**

The following is a Company Announcement issued by Eden Finance plc pursuant to Chapter 5 of the Listing Rules issued by the Listing Authority.

### **Quote**

The Board of Directors of Eden Finance plc, at a meeting held on Tuesday 27<sup>th</sup> April approved the company's annual report and financial statements for the financial year ended 31<sup>st</sup> December 2020.

The audited financial statements of Issuer, Eden Finance plc and the Guarantor, Eden Leisure Group Ltd. are available for viewing on the following link <https://edenleisure.com/investor-relations/#Financialstatements>.

### **Unquote**



**Simon De Cesare**  
**Company Secretary/Director**

**27/04/21**

**EDEN FINANCE p.l.c.**

A Member of Eden Leisure Group Limited

**Report and Financial Statements**  
*for the year ended 31<sup>st</sup> December 2020*

**Company No. C-26843**

# **EDEN FINANCE p.l.c.**

## **CONTENTS**

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	<b>Page</b>
<b>Report of the Directors</b>	1 – 4
<b>Statement of Compliance with the Principles of Good Corporate Governance</b>	5 – 9
<b>Independent Auditors' Report to the members of Eden Finance p.l.c.</b>	10 - 15
<b>Statement of Comprehensive Income</b>	16
<b>Statement of Financial Position</b>	17
<b>Statement of Changes in Equity</b>	18
<b>Statement of Cashflows</b>	19
<b>Notes to the Financial Statements</b>	20 – 31

# EDEN FINANCE p.l.c.

## REPORT OF THE DIRECTORS

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### Directors' Report

The directors present their report, together with the audited financial statements of the Company for the financial year ended 31<sup>st</sup> December 2020.

### Principal Activity

The principal activity of Eden Finance p.l.c. is to raise financial resources from the capital market to finance the capital projects of the companies forming part of the Eden Leisure Group.

### Review of Business Development

During the year, the Company registered a profit before taxation amounting to €124,025 (2019: €11,848). After deducting taxation thereon, the profit for the year amounted to €80,616 (2019: €7,701).

During the financial year 2017, the Company successfully issued a €40,000,000 4% bond, the proceeds of which were used to redeem the remaining maturing bonds of 6.6% 139,840 with a nominal value of €100 each bond. The remaining proceeds were loaned to the parent company which were in turn used to repay bank facilities and to part finance various redevelopment and refurbishment works. During the financial year, interest income earned on advances to the parent company, Eden Leisure Group Limited totalled €1,680,000 (2019: €1,680,000), while interest payable to the bondholders amounted to €1,600,000 (2019: €1,600,000).

### Results and Dividends

The statement of comprehensive income is set out on page 16. The directors do not recommend the payment of a dividend and propose to transfer the retained profit to reserves.

### Group Results

Group revenues for 2020 totalled €12.1m with a gross profit of €1.5m and a net operating loss of €5.4m after providing for depreciation of €4.4m and reduction on fair values on investment property of €450,000.

### COVID-19 pandemic

2020 was a very challenging year. The closure of the airport and eventual forced closures of both hotels and all entertainment outlets in March created an adverse situation where only the Group's radio operation was able to remain operational although at reduced revenues.

The Directors and senior management worked tirelessly from the beginning of the pandemic to ensure that the Company was able to survive these difficult times. Management implemented an aggressive cost containment strategy, from when it became apparent that COVID was going to have a significant effect on the Group's operations, in order to retain cash liquidity until such time we might be able to return to normality.

Processes and procedures were implemented to mitigate against the closure and the subdued business environment, particularly with regards to payroll where a number of measures, including a reduced working week and the using up of annual leave, were enacted. It is to be noted that the Directors and senior management were very focused on ensuring that no redundancies took place while at the same time ensuring the long term survivability of the company.

The Group welcomed the measures offered by government to support wages of its staff as a positive assistance to reduce the largest expense, payroll, without which, mass redundancies would have been inevitable. Deferment of taxes also helped to reduce pressures on working capital during the peak of the pandemic. The Group also benefitted from the MDB Covid-19 Guarantee Scheme whereby it obtained additional funds of €4m to finance its working capital. At this time the Group also availed itself of bank loan deferrals which also helped maintain a healthy cash-flow.

The Group shall keep the market updated on any material developments through Company announcements and any forthcoming interim financial reporting disclosures.

# EDEN FINANCE p.l.c.

## REPORT OF THE DIRECTORS

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### Statement pursuant to Listing Rule 5.68 issued by the Listing Authority

We confirm that to the best of our knowledge:

1. The financial statements give a true and fair view of the financial position of the Company as at 31st December 2020, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
2. The annual report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

### Directors

Mr. Ian De Cesare (Chairman)  
Mr. Kevin De Cesare (Chief Executive Officer)  
Mr. Simon De Cesare  
Mr. David Vella  
Dr. Andrea Gera de Petri Testaferrata  
Mr. Paul Mercieca  
Mr. Victor Spiteri

### Company Secretary

Mr. Simon De Cesare

In accordance with the Company's articles of association, all remaining directors retire from the board and are eligible for re-election.

### Statement pursuant to Listing Rule 5.64 issued by the Listing Authority

We confirm that direct shareholdings of the Company are as follows:

Eden Leisure Group Limited Registration Number C 4529	499,999 ordinary shares
Eden Entertainment Limited Registration Number C 26701	1 ordinary share

Indirect shareholdings of the Company through the shares held in Eden Leisure Group Limited are as follows:

Capitola Inv. Limited Registration Number C 15543	5,911,810 'A' ordinary shares 5,790,857 'B' ordinary shares
Cedar Investments Limited Registration Number C 63943	5,911,810 'A' ordinary shares 5,790,857 'B' Ordinary shares
Ian De Cesare I.D. No. 787950(M)	116,990 'A' ordinary shares 180,343 'B' ordinary shares
Kevin De Cesare I.D. No. 344659(M)	116,990 'A' ordinary shares 180,343 'B' ordinary shares

The directors confirm that as at 31<sup>st</sup> December 2020, there were no holders of the 4% Eden Finance plc debt securities who have special control rights and that there were no restrictions or limitations on voting rights.

No disclosures are being made pursuant to Listing Rules 5.64.10 and 5.64.11 as these are not applicable to the Company.

# EDEN FINANCE p.l.c.

## REPORT OF THE DIRECTORS

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### **Going concern**

As required by Listing Rule 5.62 issued by the listing Authority, the Directors reviewed the Company's and the Group's operational budgets and cash flow forecasts. Despite the difficult year ahead and in light of the Group's strong financial position as described in the notes to the financial statements 2.1.2, the directors confirm that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### **Principal risks and uncertainties faced by the company**

The Company is essentially a special purpose vehicle set up for financial transactions of Eden Leisure Group of Companies. The Company's revenue is derived from interest charges to its parent company, therefore the Company is heavily dependant on the Eden Leisure Group.

### **Contracts of significance with the parent company**

The Company has advanced amounts borrowed by way of bonds listed on the Malta Stock Exchange to its parent company, Eden Leisure Group Limited. The terms of the relevant agreement are set out in the Company's financial statements.

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

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year end which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- Adopt the going concern basis unless it is inappropriate to presume that the company will continue in the business.
- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Account for income and charges relating to the accounting period on the accrual's 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386), enacted in Malta. This responsibility includes designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Eden Finance p.l.c. for the year ended 31 December 2020 are included in the Annual Report 2020, which is published in hard-copy printed form and made available on the parent company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

# EDEN FINANCE p.l.c.

## REPORT OF THE DIRECTORS

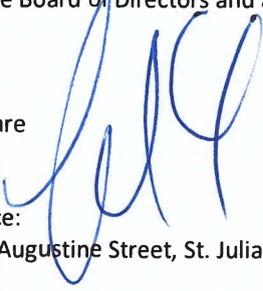
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### Auditors

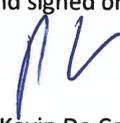
A resolution to reappoint VCA Certified Public Accountants as auditor of the Company will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and authorised for issue on 27<sup>th</sup> April 2021 and signed on its behalf by:

Mr. Ian De Cesare  
Chairman



Mr. Kevin De Cesare  
Chief Executive Officer



Registered office:  
Eden Place, St. Augustine Street, St. Julians

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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### Introduction

Pursuant to the Listing Rules issued by the Listing Authority, Eden Finance p.l.c. (the Company) should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "Code"). In terms of Listing Rule 5.94, the Company hereby reports on the extent of its adoption of the principles of the Code for the financial year being reported upon.

The Board of Directors resolved to adopt the Code. Eden Finance p.l.c. has been in compliance with the Code, except where, given circumstances, the implementations of specific recommendations were not deemed to be applicable because of the inherent non-operational function of the Company.

The Company acts as a finance company to the Eden Leisure Group Ltd and as such has minimal operations emanating from this task. Its primary function is the lending and monitoring of the proceeds of bonds issued to the public to its parent company. The Company has no employees other than the directors and the company secretary.

### Principle 1: The Board

The Board of Directors is responsible for the Company's affairs, in particular in giving direction to the Company and being actively involved in overseeing the systems of control and financial reporting. The Board has discussed the code and all directors are aware of their responsibilities as such.

The Memorandum and Articles of Association set out the procedures to be followed in the appointment of directors in a very extensive manner. Shareholders, having voting rights and owning no less than 20% of the share capital of the Company, are entitled to appoint one director for every such 20% holding. Appointed directors hold office for a period of one year on the lapse of which period, they are eligible for re-election.

### Principle 2: Chairman and Chief Executive Officer

The role of Chairman is carried out by Mr. Ian De Cesare and the role of Chief Executive Officer is carried out by Mr. Kevin De Cesare.

The Chairman is responsible to:

- Lead the Board and set its agenda.
- Ensure that the directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company.
- Ensure effective communication with shareholders; and
- Encourage active engagement by all members of the Board for discussion of complex or contentious issues.

### Principle 3: Composition of the Board

The Board of Directors consists of three Executive Directors and four Non-Executive Directors:

#### *Chairman*

Mr. Ian De Cesare

#### *Executive Directors*

Mr. Kevin De Cesare (Chief Executive Officer)

Mr. Simon De Cesare

Mr. David Vella

#### *Non-Executive Directors*

Mr. Paul Mercieca

Dr. Andrea Gera de Petri

Mr. Victor Spiteri

#### *Company Secretary*

Mr. Simon De Cesare

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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Mr. Paul Mercieca and Mr. Victor Spiteri are considered to be independent from the Company and any related company within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence as stipulated under the Code Provision 3.4.

The present mix of Executive and Non-executive directors is considered to create a healthy balance and serves to unite all shareholders' interests, whilst providing directors to the Company's management to help maintain a sustainable organisation.

Directors are appointed during the Company's Annual General Meeting for period of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

### **Principle 4: The Responsibilities of the Board**

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue, and for monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

The executive officers of the Company may be asked to attend board meetings or general meetings of the Company, although they do not have the right to vote thereat until such time as they are also appointed to the Board. The directors may entrust to and confer upon the executive officers any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

In fulfilling its mandate, the Board:

- Has a clearly defined company strategy, policies, management performance criteria and business policies which can be measured in a precise and tangible manner.
- Has established a clear internal and external reporting system so that the Board has continuous access to accurate, relevant and timely information such that the Board can discharge its duties, exercise objective judgment on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the Board;
- Establishes an Audit Committee in terms of Listing Rules 5.117 – 5.134.
- Continuously assesses and monitors the Company's present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses.
- Evaluates management's implementation of corporate strategy and financial objectives, and regularly reviews the strategy, processes and policies adopted for implementation using key performance indicators so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the Company; and
- Ensures that the Company has appropriate policies and procedures in place to assure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

The Board does not feel the need to establish and implement a succession plan for senior management considering its existing organizational structure.

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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### **Principle 5: Board Meetings**

The Board of Directors meets regularly to discuss policy decisions and to discuss the operations of the parent company, Eden Leisure Group Ltd. The directors are notified of forthcoming meetings by the company secretary with the issue of an agenda and supporting board papers, which are circulated in advance of the meeting. Minutes are prepared during board meetings, recording faithfully attendance, and resolutions taken at the meeting. After the meetings, minutes are circulated to all directors. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

The following directors attended meetings as follows:

Mr. Ian De Cesare (Chairman) – 2 meetings

Mr. Kevin De Cesare (Chief Executive Office) – 2 meetings

Mr. Simon De Cesare – Director – 2 meetings

Mr. David Vella – Director – 2 meetings

Mr. Paul Mercieca – Non-executive Director – 2 meetings

Dr. Andrea Gera de Petri Testaferrata – Non-executive Director – 1 meeting

Mr. Victor Spiteri – Non-executive Director – 2 meetings

### **Principle 6: Information and professional development**

Under the present circumstances, full adherence by the issuer with the provision of Principle 6 of the Code is not deemed necessary considering the size, nature and operations of the issuer. The issuer does not feel the need to establish and implement a succession plan for senior management considering its existing organizational structure. The directors will maintain the existing arrangement and review continuously to ensure that it meets the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

### **Principle 7: Evaluation of the Board's performance**

The current composition of the Board allows for a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. During the year, the directors carried out a self-evaluation performance analysis, including the Chairman and the CEO. The results of this analysis did not require any material changes in the Company's corporate governance structure. Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders who are adequately represented on the Board therefore under their continuous scrutiny.

### **Principle 8: Committees**

#### **Audit Committee**

In accordance with Listing Rules 5.117 to 5.134, Eden Finance p.l.c. established an Audit Committee. The terms of reference of the Audit Committee have been formally set out in a separate charter.

The Committee's primary objective is to assist the Board in fulfilling the oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Committee oversees the conduct of the external audit and acts to facilitate communication between the Board of Directors, management and the external auditors' team. The external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Boards of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors of the Issuer and the Guarantor in its responsibilities in dealing with issues of risk, control and governance, and the associated assurance. The Board of Directors of the Issuer has set formal terms of establishment and the terms of reference of the Audit Committee which set out its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with.

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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### Audit Committee (continued)

Briefly, the Committee is expected to deal with and advise the Board of Directors on the following matters on a group-wide basis:

- (a) Its monitoring responsibility over the financial reporting processes, financial policies and internal control structures.
- (b) Maintaining communications on such matters between the Board of Directors, management and the external auditors.
- (c) Preserving the Group's assets by assessing the Group's risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of evaluating any proposed transaction to be entered into by the Company or the Guarantor and a related party, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interest of the Company or Guarantor as the case may be.

The Audit Committee is composed of three Non-Executive Directors. The following directors sit on the committee:

- Chairman – Mr. Paul Mercieca (Non-Executive Director)
- Member – Dr. Andrea Gera de Petri Testaferrata (Non-Executive Director)
- Member – Mr. Victor Spiteri (Non-Executive Director)

The Audit Committee pursuant to its terms of reference has been appointed to, accordingly has a remit that covers the Guarantor, apart from the Issuer.

During the financial year ended 31 December 2020 the Committee met on 5 occasions.

### Remuneration Committee

Due to the nature of the Company's restricted operational functions, the Board does not consider it necessary to set up a remuneration committee. The directors received in aggregate €22,000 for services rendered during 2020. This remuneration has been approved by the directors. The Board has resolved to disclose these fees in aggregate rather than as separate figures for each director as recommended by the code.

### Principle 9: Commitment to Maintain an Informed Market

The Company communicates with bondholders by way of the Annual Report and Financial Statements. The Company also communicates with bondholders via company announcements made through the Malta Stock Exchange as well as by entertaining queries and requests made by individual bondholders on an ad hoc basis.

The Board has gone further in requesting that the parent company's Board, Eden Leisure Group Ltd., meet with financial intermediaries and institutional investors on an annual basis to update them on the performance of the parent company thereby giving significant details on the prospects of the Company as a "going concern" as well as offering information that they can make their buying decisions on.

The Board has also continued to implement the annual investor relations programme, which aims at giving bond holders rewards to be used within the Company to foster loyalty.

### Principle 10: Institutional Shareholders

The Company has no institutional shareholders.

### Principle 11: Conflicts of Interest

The directors always act in the interest of the Company and its shareholders. If any director has a private interest or duty unrelated to the Company which would be likely to place the director in conflict with any interests in, or duties towards, the Company, the director is not allowed to vote on the matter. No such instances were noted during the financial year under review.

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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### Principle 12: Corporate Social Responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices and is committed to enhance the quality of life of all stakeholders and of the employees of the Company. In carrying on its business the Company is fully aware and at the forefront to preserving the environment, promoting healthy lifestyles and supporting charitable causes, and continuously reviews its policies aimed at achieving these goals.

### Internal Control System

The Company's internal control system is designed to ensure, as much as possible, transparency, independence and segregation of duties. The process is also designed to ensure reliable financial reporting, effective and efficient operations and compliance with applicable laws and regulations.

Whilst the Board of Directors is responsible for an effective internal control system, it relies on its effectiveness on the Group's financial controller and the audit committee. The Group's management is responsible for the identification and evaluation of key risks applicable to their respective areas of business. Through these channels, the Board of Directors has reasonable assurance that risk factors are managed properly and that material misstatements in the financial statements are not likely to occur.

### Risk Management

The objective of the risk management function of the Company is to minimise the cost of risk and to maximise return on assets.

The Company endeavours to achieve this objective through a procedure that involves a co-ordinated approach across the operations of the Group, designed to identify and measure potential risks. Appropriate action is taken to mitigate these risks.

In order to manage the above-mentioned risks, quarterly risk management reports are compiled by the financial controller and presented to the audit committee. These periodic reports comment on areas likely to have elements of risk, highlighting any weaknesses or possible threats.

The audit committee makes recommendations, as necessary, to the Board.

### Dealings by Directors and Senior Officers in the Company's Bonds

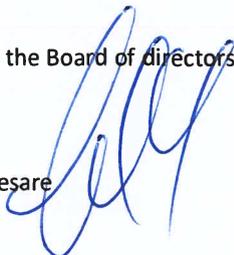
Conscious of its responsibility for monitoring dealings by directors and senior officers in the Company's bonds, the Board approved a code of conduct for the transactions by directors and senior officers in compliance with the listing rules. The structured code of dealing which includes names of directors and senior officials who have to comply with the code has been filed with the listing authority at the Malta Financial Services Authority.

The information as provided above is a fair summary of the Eden Finance p.l.c. adoption of the code of good corporate governance. Overall, the Company has broadly implemented the code where the Board believes that it would add value to the stakeholders. In certain areas, it was felt that the code was more suited to companies who held equity on the exchange and therefore, its implementation would not be useful for a limited operating company like Eden Finance p.l.c.

The Board will continue to monitor the code in future years and will decide on an annual basis if the position stated above will apply.

Approved by the Board of Directors on 27<sup>th</sup> April 2021 and signed on its behalf by:

Mr. Ian De Cesare  
Chairman



Mr. Kevin De Cesare  
Chief Executive Officer





CERTIFIED PUBLIC ACCOUNTANTS

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## **EDEN FINANCE p.l.c.**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.**

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#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of Eden Finance p.l.c., set out on pages 16 to 31, which comprise the Company's statement of financial position as at 31 December 2020, 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Companies Act (Cap. 386), enacted in Malta.

##### **Emphasis of matter**

We draw attention to note 2 to the financial statements which describes the effects of the COVID-19 pandemic on the Company and Group's operations for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Company are disclosed in note 7 to the financial statements.

##### **Our Audit Approach**

###### *Overview*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



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**EDEN FINANCE p.l.c.**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.**

#### *Materiality*

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedure and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Materiality</i>	€33,600 (2019: €33,600)
<i>How we determined it</i>	2% of turnover
<i>Rationale for the materiality benchmark applied</i>	We chose turnover as the benchmark because, in our view, Eden Finance's objective is to obtain finance for the Group and its income is derived from the loan advanced to the Parent Company, the turnover of the Company is considered to be the most appropriate measure of the success of the Company in obtaining enough funds to service its annual obligations towards the bond holders. We chose 2%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1,680 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

#### *Key Audit Matters*

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

#### **Significant Financing Transactions**

##### *Risk Description*

The principal activity of Eden Finance p.l.c. is to raise financial resources from the capital market to finance the capital projects of the companies forming part of Eden Leisure Group. These debt securities are guaranteed by the parent company, Eden Leisure Group Limited. The funds received from the debt securities in issue have been advanced to the parent company under similar duration and terms, with a higher lending rate in order for Eden Finance p.l.c. to cover its operating expenses. The recoverability of the loan advanced to Eden Leisure Group Limited and the debt servicing thereon is dependant of the going concern of the parent company which include the operations of the Group.



CERTIFIED PUBLIC ACCOUNTANTS

VCA Certified Public Accountants

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## EDEN FINANCE p.l.c.

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.

#### How the scope of our audit responded to the risk

##### Key audit matter

###### *Recoverability of loans issued to the Guarantor of the bond*

Loans and receivables include funds advanced to the parent company, Eden Leisure Group Ltd, who is the guarantor of the bonds issued by the Company. Loan balances with this related party as at 31 December 2020 amounted to €40 million.

As explained in accounting policy Note 3, the recoverability of the loans is assessed at the end of each financial year.

The loans are the principal asset of the Company, which is why we have given additional attention to this area.

The prime debtor's and Guarantor's business was severely impacted by the spread of the COVID-19 pandemic to Europe in 2020. This pandemic is still creating unprecedented levels of uncertainty in local and global economies alike as predictions as to the extent of economic curtailment due to social distancing and lockdown measures coupled with the impact of government fiscal assistance packages remains fluid. The parent company operates in the hospitality and entertainment sector which has been severely impacted by the travel restrictions and mandatory closure of its entertainment outlets imposed locally and, in most countries, worldwide. It is as yet unknown when these travel restrictions, and mandatory closure of its entertainment outlets will be lifted and the market's reaction thereto. In the light of all the above, the directors have assessed the impact of the COVID-19 pandemic on the Guarantor's business. The assessment was based on three scenarios showing a base case scenario, optimistic and pessimistic scenario. These were weighted in line with management's expectations and were used to assess the possible extent of the impact on the recoverability of the balance due from the Guarantor. Their assessment at this point in time indicates that, based on the information currently available and on expectations as at the time of approval of these financial statements, no impairment is required in relation to this receivable. The situation does remain very volatile, and their assessment will be continuously reviewed and updated in order to be calibrated to the changing circumstances. Such future assessments may result in varying outcomes.

##### How our audit addressed the Key audit matter

We have agreed the terms of these loans to supporting loan agreements.

We have assessed the financial soundness of the fellow parent company, Eden Leisure Group Ltd, which is also the guarantor of the Company's bonds. In doing this, we made reference to the latest audited financial statements, management accounts, cash flow projections, forecasts and other prospective information made available to us, with particular focus on the review of the directors' assessment of the impact of the COVID-19 pandemic on the Guarantor's business. We performed additional audit work on the assumptions, conditions and relevant risk assessments used by the directors to model the cash stress test effects due to the pandemic.

At the date of this report the pandemic's ongoing effects are still subject to high levels of uncertainty with the full range of possible effects unknown. Based on the information currently available the assumptions and conclusions as to the impairment assessment of the receivable balance do not appear to be unreasonable.

#### Findings

The results of our testing were satisfactory and the amount advanced to the parent company is appropriately recorded in the financial statements and disclosed in Note 9.

## **EDEN FINANCE p.l.c.**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.**

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#### **Other Information**

The directors are responsible for the other information. The other information comprises the directors' report and the Statement of Compliance with the Principles of Good Corporate Governance. Except for our opinions on the directors' report in accordance with the Companies Act (Cap.386) and on the Corporate Governance Statement of Compliance in accordance with the Listing Rules issued by the Maltese Listing Authority, our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report 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 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 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 directors' report. We have nothing to report in this regard.

#### **Responsibilities of the Directors and those charged with governance for the financial statements**

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.

The directors have delegated the responsibility for overseeing the Company's financial reporting process to the Audit Committee.

#### **Auditor's Responsibilities for the Audit Committee**

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.

## **EDEN FINANCE p.l.c.**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

##### *Report on Corporate Governance Statement of Compliance*

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

## **EDEN FINANCE p.l.c.**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDEN FINANCE p.l.c.**

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We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also have responsibilities:

- Under the Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:
  - We have not received all the information and explanations we require for our audit.
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
- Under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

#### **Appointment**

We were first appointed as auditors of the Company for the financial year ended 30 April 2001. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 20 years. The Company was incorporated as a public limited company on 22 August 2000.

  
This copy of the audit report has been signed by:

**MICHAEL CURMI**

for and on behalf of

**VCA CERTIFIED PUBLIC ACCOUNTANTS**

27<sup>th</sup> April 2021

# EDEN FINANCE p.l.c.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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	Notes	2020 €	2019 €
Interest income	4	1,680,000	1,680,000
Finance costs	5	(1,600,000)	(1,600,000)
<b>Net interest income</b>		<b>80,000</b>	<b>80,000</b>
Other income	6	116,468	-
Administrative expenses	7	(72,443)	(68,152)
<b>Profit before taxation</b>		<b>124,025</b>	<b>11,848</b>
Income tax expense	8	(43,409)	(4,147)
<b>Profit for the year – total comprehensive income</b>		<b>80,616</b>	<b>7,701</b>

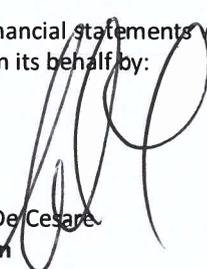
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# EDEN FINANCE p.l.c.

## STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2020

	Notes	2020 €	2019 €
<b>Non-current assets</b>			
Financial assets at amortised cost	9	41,164,687	41,164,687
<b>Current assets</b>			
Financial assets at amortised cost	9	881,031	913,219
Cash and cash equivalents		830,995	826,947
		<u>1,712,026</u>	<u>1,740,166</u>
<b>Total Assets</b>		<u>42,876,713</u>	<u>42,904,853</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	1,164,687	1,164,687
Retained earnings		541,404	460,788
		<u>1,706,091</u>	<u>1,625,475</u>
<b>Non-Current liabilities</b>			
Borrowings	11	40,000,000	40,000,000
<b>Current liabilities</b>			
Other payables	12	90,622	195,231
Current income tax liability	13	-	4,147
Borrowings	11	1,080,000	1,080,000
		<u>1,170,622</u>	<u>1,279,378</u>
<b>Total current liabilities</b>		<u>1,170,622</u>	<u>1,279,378</u>
<b>Total Liabilities</b>		<u>41,170,622</u>	<u>41,279,378</u>
<b>Total Equity and Liabilities</b>		<u>42,876,713</u>	<u>42,904,853</u>

These financial statements were approved and authorised for issue by the Board of Directors on 27<sup>th</sup> April 2021 and were signed on its behalf by:

  
Mr. Ian De Cesare  
Chairman

  
Mr. Kevin De Cesare  
Chief Executive Officer

## EDEN FINANCE p.l.c.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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	Share Capital €	Retained Earnings €	Total €
At 1 January 2019	1,164,687	453,087	1,617,774
Profit for the year – total comprehensive income	-	7,701	7,701
At 31 December 2019	<u>1,164,687</u>	<u>460,788</u>	<u>1,625,475</u>
Profit for the year – total comprehensive income	-	80,616	80,616
At 31 December 2020	<u>1,164,687</u>	<u>541,404</u>	<u>1,706,091</u>

# EDEN FINANCE p.l.c.

## STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	Notes	2020 €	2019 €
<b>Cash flows from operating activities</b>			
Profit before taxation		124,025	11,848
Adjustment for:			
Interest expense		1,600,000	1,600,000
Interest income		(1,680,000)	(1,680,000)
<i>Operating profit/(loss) before working capital movements</i>		<u>44,025</u>	<u>(68,152)</u>
Movement in receivables		(11,222)	(18,536)
Movement in payables		(108,755)	(21,641)
<b>Cash flows used in operations</b>		<u>(75,952)</u>	<u>(108,329)</u>
<b>Cash flows from investing activities</b>			
Interest received		1,680,000	2,520,000
<i>Net cash flows generated from investing activities</i>		<u>1,680,000</u>	<u>2,520,000</u>
<b>Cash flows from financing activities</b>			
Interest paid to bond holders		(1,600,000)	(1,600,000)
<i>Net cash flows used in financing activities</i>		<u>(1,600,000)</u>	<u>(1,600,000)</u>
<b>Net movement in cash and cash equivalents</b>		4,048	811,671
<b>Cash and cash equivalents at the beginning of the year</b>		826,947	15,276
<b>Cash and cash equivalents at the end on the year</b>	15	<u>830,995</u>	<u>826,947</u>

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 1. Reporting Entity

Eden Finance p.l.c. (the 'Company') is a limited liability company incorporated and domiciled in Malta. The registered office of the company is Eden Place, St. Augustine Street, St. George's Bay, St. Julians. These financial statements were approved for issue by the board of directors on 27<sup>th</sup> April 2021

### 2. Basis of Preparation

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Companies Act, (Chap. 386), enacted in Malta.

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### ***Standards, interpretations and amendments to published standards effective in 2020***

In 2020, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

#### ***Standards, interpretations and amendments to published standards that are not yet effective***

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1st January 2021. The Company has not early adopted these revisions to the requirements of IFRS's as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 2. Basis of Preparation (continued)

#### 2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis and on the going concern basis.

##### 2.1.2 Appropriateness of the going concern basis pursuant to the COVID-19 outbreak

During the financial year ended 31 December 2017, the Company issued 400,000 4% unsecured bonds of €100 each to the public. The proceeds received there from were advanced to Eden Leisure Group Limited ("the Group"), the parent company, at annual interest rate of 4.2%.

The ability of Eden Finance p.l.c. to meet its obligations, both in terms of servicing of its debt and ultimately repaying the bond holders on the redemption date is thus dependent on the ability of the Group to meet its obligations towards Eden Finance p.l.c.

The outbreak of the COVID-19 pandemic in early 2020 severely impacted all economies worldwide. In many countries, including Malta, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses worldwide, and has negatively impacted the financial performance of the Group, for the year and also its liquidity position.

Specifically, the Group's hotels were forced to close by 31 March 2020 and reopened in June 2020, with other mandated closures for Cynergi, Eden Cinemas and Eden SuperBowl. The impact of such closures, together with other measures to prevent further spread of the pandemic taken by authorities during the remainder of 2020, resulted in the Group recognising a net loss before tax of €7.4m during the year, resulting from a decrease of 73% in revenues from 2019. The Group's net current liabilities as at 31 December 2020 amounted to €1.7m.

As at the date of authorisation of these financial statements, multiple vaccines have proven effective against the current variants of SARS-CoV-2, however, vaccine roll outs are still in early stages in Malta and stringent measures to contain the spread have thus far remained in place. Consequently, there is still uncertainty over how the future development of the outbreak will impact the Group's business. Thus far, the Group's operations remain curtailed and measures continue to be adopted across the Group to reduce operating costs to the minimum required to maintain the Group's properties, with the objective of preserving financial resources. The Group also continues to benefit from schemes adopted by the Maltese government, including salary subsidies.

The Group's management team has prepared financial projections for the year ending 31 December 2021, comprising historical financial information up to the date of authorisation for issue of the Group's financial statements and forecast financial information for the residual period, incorporating the estimated impact of the events referred to above on the projected financial results, cash flows and financial position of the Group. In making the aforementioned cash flow projections, management considered potential downside scenarios, including the possibility of new virus strains and a slower economic recovery that may lead to further strain on its liquidity. The projections assume that revenue for 2021 will improve slightly from 2020.

The Group has obtained loan facilities of €4m which could be utilised by the Group to meet its short-term obligations. The Group also has unutilised bank facilities amounting to €5.7m. Also, to respond to severe downside scenarios, the Group's management has taken further actions by reducing the non-essential expenditure, freezing non-essential recruitment and reducing working hours to 32hrs a week.

Based on these factors, the Company's directors have assessed that the Parent will, through the Group's operations, have adequate funds in order to meet its obligations in repaying its amounts due to the Company. Conversely, the Company's directors therefore believe that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 2. Basis of Preparation (continued)

#### 2.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS's as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Except as disclosed below, in the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 (revised).

#### Expected credit loss allowances on loans and advances

Credit loss allowance represent management's best estimate of expected credit losses in the financial assets subject to IFRS 9 impairment requirements at the balance sheet date. In this respect the directors are required to exercise judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Detail on the Company's methodology in making its impairment assessment in relation to loans and advances is disclosed in note 17.1. Under this method the ECL were deemed to be immaterial and hence no adjustments were made to these financial statements.

#### 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Euro which is the Company's functional and presentation currency.

### 3. Principal accounting policies

#### *Financial instruments*

##### *Financial assets*

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

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company's debt instruments principally comprise a loan to the Company's parent and an investment in a related party's preference shares, which have been assessed as having the characteristics of debt instruments.

The Company's financial assets are measured at amortised cost in their entirety.

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

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

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 3. Principal accounting policies (continued)

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

#### ***Impairment of financial assets***

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

The Company uses the general approach, which requires an assessment as to whether the counterparty has experienced a significant increase in credit risk since initial recognition. This assessment forms the basis as to whether lifetime ECL should be recognised and is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. As at reporting date, the credit risk on the the Company's financial instruments has not increased significantly since initial recognition and consequently the Company measures the loss allowance at an amount equal to 12-month ECL ('12m ECL').

#### ***Financial liabilities***

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

#### ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### ***Other payables***

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

#### ***Shares issued by the Company***

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

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 3. Principal accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

#### *Related parties*

Related parties are those persons or bodies of persons having relationships with the Company as defined in International Accounting Standard No. 24.

### 4. Interest income

The amounts recognised within this line item includes interest income recognised using the effective interest method on loans advanced the Company's parent. The effective interest rate on the instrument is 4.2%.

### 5. Finance cost

This amount represents interest expense on the debt securities in issue, as set out in note 11 to these financial statements.

### 6. Other income

This amount represents the reversal of related party management fees accrued by the Company prior to FY 2010.

### 7. Expenses by nature

Administrative expenses are classified by their nature as follows:

	2020	2019
	€	€
Directors' fees	22,000	22,000
Stock exchange charges	32,873	32,983
Legal and professional fees	12,784	7,928
Other expenses	4,786	5,241
	<u>72,443</u>	<u>68,152</u>

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

	2020	2019
	€	€
Annual statutory audit	3,262	3,262
Tax compliance service	300	300
Other non-audit services	130	130
	<u>3,692</u>	<u>3,692</u>

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 8. Taxation

Income tax has been provided for at the rate of 35% on the taxable income for the year.

	2020	2019
	€	€
Tax charge for the year:		
Current tax	-	4,147
Deferred tax	43,409	-
	<u>43,409</u>	<u>4,147</u>

The income tax expense for the year is calculated on the Company's taxable income at the rate of 35% applicable in Malta, the Company's country of incorporation.

	2020	2019
	€	€
The tax expense and the tax charge using the statutory Income tax rate of 35% are reconciled as follows:		
Profit before taxation	124,025	11,848
Tax charge at 35%	<u>43,409</u>	<u>4,147</u>

### 9. Financial assets at amortised cost

	2020	2019
	€	€
<b>Non-current</b>		
Loan granted to parent company (i)	40,000,000	40,000,000
Redeemable preference shares (ii)	1,164,687	1,164,687
	<u>41,164,687</u>	<u>41,164,687</u>
<b>Current</b>		
Accrued interest on loan granted to parent company (i)	294,000	294,000
Other receivables owed by parent company (iii)	576,233	610,920
Prepayments	10,798	8,299
	<u>881,031</u>	<u>913,219</u>

#### (i) Loan granted to parent company

These represent the funds raised by the bond issue (note 11) in 2017 which have been advanced to Eden Leisure Group Limited at an annual interest rate of 4.2% per annum (2019: 4.2% p.a). The loan is unsecured.

This loan represents a €40,000,000 4% bond, the proceeds of which were used to redeem the remaining maturing bonds of 6.6% 139,840 with a nominal value of €100 each bond. The remaining proceeds were loaned to the parent company. The loan will be repaid in full by the 28 April 2027.

Eden Leisure Group Limited, the guarantor in respect of the Company's bond issue has undertaken to pay all amounts of principal and interest that will become due and payable by the Company to bondholders under the bonds.

These loans rank pari passu without any priority or preference within all other present and future unsecured and unsubordinated obligations of the parent company to which the loans have been advanced.

The carrying amount of the loan is considered a reasonable approximation of their fair value.

No loss allowance has been recognised as any such impairment would be insignificant (note 17.1).

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 9. Financial assets at amortised cost (continued)

#### *(ii) Redeemable preference shares*

This investment represents 100% holding of the 5.5% redeemable preference shares of €2.329373 each within Eden Entertainment Limited, a commonly controlled entity.

#### *(iii) Other receivables owed by parent company*

These advances are interest free, unsecured and repayable on demand.

### 10. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%.

	2020	2019
	€	€
At the beginning of the year	-	-
Movement in absorbed tax losses and capital allowances	-	-
At the end of the year	<u>-</u>	<u>-</u>
Effect recognised in:		
Deferred tax movements recognised in profit or loss	<b>43,409</b>	-
Transfer of tax losses through group loss relief	<b>(43,409)</b>	-
	<u>-</u>	<u>-</u>

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 11. Borrowings

	2020 €	2019 €
<b>Non-current</b>		
Bonds	40,000,000	40,000,000
<b>Current</b>		
Accrued interest on bond	1,080,000	1,080,000

	Interest Rate	Repayable by	2020 €	2019 €
Bond	4.0%	28 April 2027	40,000,000	40,000,000

Following a company announcement made on 28<sup>th</sup> March 2017, Eden Finance p.l.c. issued an aggregate principal amount of €40 million Bonds (2027), having a nominal value of €100 each, bearing interest at 4.0%. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 27<sup>th</sup> March 2017. The quoted market price as at 31<sup>st</sup> December 2020 for the 4.0% Bonds (2027) was €101 (2019: €103.50). The directors are of the opinion that this price represents the fair value of these liabilities; as at balance sheet date, the fair value of the bonds therefore amounts to €40,400,000 (2019: €41,400,000). The fair value calculation is classified within Level 1 of IFRS 13's fair value hierarchy.

### 12. Other payables

	2020 €	2019 €
Other payables	177	-
Accruals	90,446	195,231
	<u>90,623</u>	<u>195,231</u>

### 13. Current income tax liability

	2020 €	2019 €
Opening balance	4,147	-
Payments	(4,147)	-
Charge for the year	-	4,147
	<u>-</u>	<u>4,147</u>

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 14. Called up issued share capital

	2020	2019
	€	€
<b>Authorised Share Capital</b>		
500,000 Ordinary Shares of €2.329373 each	1,164,687	1,164,687
	<hr/>	<hr/>
<b>Issued and Fully Paid Up</b>		
500,000 Ordinary Shares of €2.329373 each	1,164,687	1,164,687
	<hr/>	<hr/>

### 15. Cash and cash equivalents

Cash and cash equivalents included in the statement of cashflows comprise the following amounts in the statement of financial position:

	2020	2019
	€	€
Cash at bank	830,995	826,947
	<hr/>	<hr/>

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

### 16. Fair values of financial assets and financial liabilities

At 31 December 2020 and 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value information for the Company's non-current borrowings is disclosed in note 11.

### 17. Financial risk management

#### Overview

The Company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives and policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### 17.1 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the loan advanced to the parent company and accrued interest charges thereon, the investment in redeemable preference shares of a commonly controlled entity and cash and cash equivalents. The carrying amount of the financial assets, as disclosed in notes 9 represents the maximum credit exposure.

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 17. Financial risk management (continued)

#### 17.1 Credit risk (continued)

The Board retains direct responsibility for affecting and monitoring the investments made by the Company. In view of the significant concentration of risk on its exposure to the loan with its parent entity, comprising 97% (2019: 97% of its financial assets), the Board monitors, on an on-going basis, the financial affairs of its parent and takes into account factors such as financial position, performance and cash flows. The Company takes cognisance of the related party relationship with these entities and management do not expect any losses from non-performance or default. Accordingly, credit risk with respect to these receivables is expected to be limited. Eden Leisure Group Limited is also the guarantor of the Company's bonds.

##### *Financial assets at amortised cost*

As disclosed above, the Group's main exposures are a loan to the Company's parent, representing the advance of the bonds raised by the Company, as well as an investment in redeemable preference shares of a commonly controlled entity. The Company's management monitor intra-group credit exposures on a regular basis and ensure timely performance of these assets in the context of its overall liquidity management. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period.

As at year-end, the Directors considered its counterparties' equity position in light of the events revolving around COVID-19. Given its related party relationship with its debtors, the Directors assessed recoverability of these balances by leveraging on cash flow projections prepared by the respective counterparties. The cash flow projections, which stretch over the term of each respective loan, consider whether the counterparty could meet its obligations under different, forward-looking scenarios.

After taking into account the results of their assessment, together with the fact that the counterparty has met its obligations as and when due, the resultant impairment charge required was deemed immaterial, and accordingly is not recognised in these financial statements.

##### *Cash and cash equivalents*

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

#### 17.2 Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally debt securities in issue and trade and other payables disclosed in notes 11 and 12. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meeting the Company's obligations.

The Company forms part of Eden Leisure Group. The Company has advanced amounts borrowed by way of bonds to its parent company. This implies that the Company will have received settlement of interest receivable from the parent company in order to be able to meet its interest payable as they fall due.

The Directors monitor liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period, in order to ensure that adequate funding is in place in order for the Group to be in a position to meet its commitments as and when they will fall due.

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 17. Financial risk management (continued)

#### 17.2 Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020	2019
	€	€
<b>Within one year:</b>		
Other payables	90,622	195,231
Current income tax liability	-	4,147
Borrowings	1,600,000	1,600,000
	<u>1,690,622</u>	<u>1,799,378</u>
<b>Between 2 and 5 years:</b>		
Borrowings	6,400,000	6,400,000
	<u>6,400,000</u>	<u>6,400,000</u>
<b>Over 5 years:</b>		
Borrowings	43,200,000	44,800,000
	<u>43,200,000</u>	<u>44,800,000</u>
	<u>51,290,622</u>	<u>52,999,378</u>

Amounts of €207,090 (2019: €195,231) classified as repayable within one year in the table above, are contractually repayable on demand.

#### 17.3 Market risk

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

#### 17.4 Interest rate risk

In view of the nature of its activities, the Company's transactions mainly consist of earning interest income on the loan affected from the proceeds of the secured bonds issue and servicing its borrowings. However, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's principal interest-bearing financial instruments, which consist of a loan to a group undertaking and secured bonds issued to financial institutions and the general public, are subject to fixed interest rates. Although these instruments expose the Company to fair value interest rate risk, a change in market interest rates will not have an impact in the Company's profit or loss since these instruments are measured at amortised cost.

The Company has secured a spread between the return on its investments and its cost of borrowings and these instruments have similar terms and maturity profiles as disclosed in Notes 9 and 11 to these financial statements.

# EDEN FINANCE p.l.c.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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### 17.5 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure consists of items presented within equity in the statement of financial positions.

The Company's directors manage the Company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Company's overall strategy remains unchanged from the prior year.

### 18. Reconciliation of liabilities arising from financing activities

	Borrowings	Total
	€	€
<b>At 31 December 2018</b>	<b>40,000,000</b>	<b>40,000,000</b>
Cash flows	(1,600,000)	(1,600,000)
Other liability related changes	1,600,000	1,600,000
<b>At 31 December 2019</b>	<b>40,000,000</b>	<b>40,000,000</b>
Cash flows	(1,600,000)	(1,600,000)
Other liability related changes	1,600,000	1,600,000
<b>At 31 December 2020</b>	<b>40,000,000</b>	<b>40,000,000</b>

### 19. Related party transactions

Related party transactions are entered into on a commercial basis with entities which are related by way of common shareholders who are able to exercise significant influence over the Company's operations.

Transactions with these companies principally include advances affected by the Company out of the bond issue proceeds as disclosed in Note 9 to the financial statements. Interest receivable earned from these transactions is disclosed in Note 4 and year end balances in this respect are disclosed in Note 9 to the financial statements.

### 20. Parent company

The Company is a subsidiary of Eden Leisure Group Limited, the registered office of which is situated at Eden Place, St. Augustine Street, St. Julians, Malta.

Consolidated financial statements are prepared by Eden Leisure Group Limited.