HILI
PROPERTIES

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Company Announcement

The following is a Company Announcement issued by Hili Properties p.l.c. ("the "Company") in terms of Listing Rules 5.16.21, 5.16.24 and 5.61 of the Listing Rules.

QUOTE

The Company announces that the Audited Consolidated Financial Statements for the financial year ended 31 December 2018 have been approved by the Board of Directors. A copy of the signed Audited Consolidated Financial Statements are attached herewith and are also available for viewing on the Company's website www.hiliproperties.com .

It is being announced that a consolidated profit before tax of €1,703,000 was projected in the Financial Analysis Summary published in June 2018 and that the Company closed the Financial Year Ending 31 December 2018 with a consolidated profit before tax of €2,543,799. The Company had also projected a profit after tax of €1,092,000 and the Company closed the Financial Year Ending 31 December 2018 with a consolidated profit after tax of €2,110,208.

The favourable variance in the bottom-line figure is primarily attributable to an improved operating profit of €498,000 and a higher net investment income of €382,000.

Furthermore, it is hereby announced that, the audited financial statements of Harbour (APM) Investments Limited (C 58453, the guarantor of the €37,000,000 4.5% Unsecured Bonds 2025 issued by the Company in terms of a prospectus dated 18 September 2015) as at 31 December 2018 have been approved by its Board on 24 April 2019 and have been made available for viewing on the webpage referred to above; and the audited financial statements of Hili Estates Limited (C 20513, the guarantor of the €37,000,000 4.5% Unsecured Bonds 2025 issued by the Company in terms of a prospectus dated 18 September 2015) as at 31 December 2018 have been approved by its Board on 25 April 2019 and have been made available for viewing on the webpage referred to above.

UNQUOTE

BY ORDER OF THE BOARD

25 April 2019

Dr. Melanie Miceli Demajo
Company Secretary

Co. Reg. C57954
Hili Properties plc is a division of Hili Ventures Limited

Hili Properties p.l.c.

Report & Financial Statements

31 December 2018

Company registration number: C 57954

Contents

Hili Properties p.l.c.

Directors, officer and other information

Directors:	Carmelo (sive) Melo Hili (Chairman) Sandra Murniece Victor Tedesco David Aquilina Richard Abdilla Castillo Geoffrey Camilleri Laragh Cassar
Secretary:	Melanie Miceli Demajo
Registered office:	Nineteen Twenty-Three, Valletta Road, Marsa MRS 3000 Malta.
Country of incorporation:	Malta
Company registration number:	C 57954
Auditor:	Grant Thornton, Fort Business Centre Mriehel Bypass, Birkirkara BKR 3000, Malta.
Bankers:	Bank of Valletta p.l.c., BOV Centre, St. Venera, Malta. HSBC Bank Malta p.l.c., HSBC Head Office, Mill Street, Qormi, Malta. Swedbank AB, Balasta dambis 1A, LV-1048 Riga, Latvia. Luminor Bank AS, Skanstes iela 12, Vidzemes priekšpilsēta, LV-1013 Riga, Latvia.

	MeDirect Bank (Malta) p.l.c. The Centre, Tigné Point, Sliema, Malta
	Banca Comerciala Romana Calea Victoriei nr.15, Sector 3, 030023, Bucharest Romania
	BRD – Groupe Société Générale S.A. Bdul Ion Mihalache nr. 1-7, 0111171, Bucharest Romania
Legal advisor:	GVZH Advocates, 192, Old Bakery Street, Valletta, Malta.

Directors' report

Year ended 31 December 2018

The directors present their report and the audited financial statements of the Hili Properties p.l.c. group and holding company for the year ended 31 December 2018.

Principal activities

The principal activity of the Hili Properties p.l.c group is to hold and rent immovable property. Hili Properties p.l.c. also acts as a holding company. The details of subsidiaries of the holding company are listed in note 20.

Performance review

The group has registered an operating profit of *€5,316,381* (2017: *€4,374,917*). The improvement in the operating profit was attributable to the increase in revenue of *€949,015 (15%)* which was sufficient to absorb the increases experienced in overheads and cost of sales. The revenue growth was mainly achieved as a result of the additional revenue generated from the business acquired in Romania in May 2017, which contributed a full year of operations compared to eight months in the previous year.

During the year under review, the group registered net investment income of *€723,563 (2017: €1,292,690)*. This result was mainly achieved through a net increase in fair value of the group's property portfolio and a loss on disposal of *€551,400*.

The group registered a profit before tax from continuing operations of *€2,543,799* (2017: *€2,009,645*). The net assets of the group at the end of 2018 amounted to *€52,241,729* (2017: *€38,357,649*). The increase in net assets is mainly attributable to the new acquisition completed during the year in Latvia and to an increase in share capital by the parent company of *€8,800,000* as disclosed in note 30.

During 2018, the company registered a loss before tax of *€401,087* (2017: *€281,499*). The net assets of the company at the end of the year amounted to *€38,974,125* (2017: *€27,383,482*).

The group measures the achievement of its objectives through the use of the following other key performance indicators:

Financial performance

The group measures its performance based on EBITDA, which is defined as the group's profit before depreciation and amortisation, finance income/costs, net investment income/losses and taxation. The EBITDA for the year under review was *€5,429,363* (2017: *€4,478,864*), achieving a 24% growth when compared to the previous year.

The group's EBITDA margin increased to 74% (2017: 71%) with the 3 percentage points variance resulting mainly from the full-year EBITDA generated from the Romanian operations and additional income from the group's properties in Malta.

Performance review (continued)

Financial performance (continued)
During the year under review the interest cover of the group was 1.5 times (2017: 1.4 times). The gearing ratio of the group is monitored on an ongoing basis. The group's gearing ratio stands at 63% compared to 69% in the previous year.

Non-financial performance
Properties occupancy was at 97% as at 31 December 2018 (2017: 95%). This refers to the ratio of leased investment properties in square metres to the total owned investment properties in square metres. The WALT (Weighted Average Lease Term) for the whole portfolio stands at 8.5 years (2017: 9.2yrs).

As disclosed in note 14, the average number of employees for the year for the holding company is 12 (2017 - 12). There are no other relevant non-financial KPIs that the directors of the holding company monitor.

Principal risks and uncertainties

The successful management of risk is essential to enable the group to achieve its objectives. The ultimate responsibility for risk management rests with the company's directors, who evaluate the group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the group and the mitigating factors are included below:

Market and competition

The group operates in a segment which is vulnerable to general market conditions. An increase in the supply of commercial space could impact capital values and income streams of the property portfolio. A higher supply increases the possibility that tenants terminate or elect not to renew their respective lease agreements. An effective and coherent strategy to attend to the tenants' needs enables the group to sustain and strengthen its relationship with the tenants. The group continues to focus on service quality, monitoring market trends carefully and performance to lessen and manage these risks.

International exposure risk
The group operates in many countries with differing economic, social and political conditions. Changes in current conditions may adversely affect the tenant's business performance, portfolio fair value, results of operations, financial conditions or prospects. The group manages such risks by incorporating this risk into its business strategy, i.e. diversification with regard to location and properties.

Fluctuations in property values
Property values are affected by and may fluctuate as a result of changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices.

Significant judgement and estimates
Note 3 to the financial statements provides details in connection with the inherent uncertainties that surround the preparation of the financial statements which requires significant estimates and judgements.

Principal risks and uncertainties (continued)

Financial risk management
Note 41 to the financial statements provides details in connection with the holding company's and the group's use of financial instruments, their financial risk management objectives and policies and the financial risks to which they are exposed.

Result and dividends

The result for the year ended 31 December 2018 is shown in the statement of profit or loss and other comprehensive income on page 12. The group registered a profit after tax of *€2,110,208* (2017: *€3,362,785*). The holding company registered a loss after tax of *€209,357* (2017: *€434,092*). No dividend is being recommended as the company did not have any distributable reserves at the end of the reporting period.

Post-balance sheet events

On 18 January 2019 one of the subsidiary undertakings concluded the acquisition of a piece of land in Riga, Latvia for a consideration of *€2,300,000*.

On 11 March 2019, one of the subsidiary undertakings in Malta, obtained a new bank loan facility of *€3,000,000*, the proceeds of which were utilised by the group to settle amounts due to the parent company.

The reconstruction of the retail centre at Dzelzavas Street in Riga, Lavtia, commenced during 2018, was completed and the centre officially opened in March 2019.

There were no other post balance sheet events which merit mention in the directors' report.

Likely future business developments

The directors consider that the year end financial position was satisfactory and that the group and the holding company are well placed to sustain the present level of activity in the foreseeable future.

Directors

The directors who served during the year and until the date of authorisation of these financial statements were:

Carmelo (sive) Melo Hili (Chairperson)
Sandra Murniece
Victor Tedesco
David Aquilina
Geoffrey Camilleri
Richard Abdilla Castillo
Laragh Cassar

In accordance with the holding company's articles of association, all the directors are to remain in office.

Going concern

After reviewing the group's and holding company's budgets for the next financial year, and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

A resolution to reappoint Grant Thornton as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 25 April 2019 by:

Carmelo (sive) Melo Hili
Chairperson

Sandra Murniece
Director

Statement of directors' responsibilities

Year ended 31 December 2018

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with generally accepted accounting principles and practices which give a true and fair view of the state of affairs of the company and its group at the end of each financial year and of the profit or loss of the company and its group for the year then ended.

In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

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 the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2018 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Carmelo (sive) Melo Hili
Chairman

Sandra Murniece
Director

Hili Properties p.l.c.

Corporate Governance Statement

Introduction

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Hili Properties p.l.c. (the 'company') is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles') contained in Appendix 5.1 of the Listing Rules.

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Principles are in the best interest of the shareholders and other stakeholders since they ensure that the directors, management and employees of the company adhere to internationally recognised high standards of Corporate Governance.

The company currently has a corporate decision-making and supervisory structure that is tailored to suit the company's requirements and designed to ensure the existence of adequate checks and balances within the company, whilst retaining an element of flexibility, particularly in view of the size of the company and the nature of the its business. The company adheres to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

The Board of Directors

The Board of Directors of the company is responsible for the overall long-term direction of the company, in particular in being actively involved in overseeing the systems of control and financial reporting and that the company communicates effectively with the market. The Board of Directors meets regularly, with a minimum of four times annually, and is currently composed of seven members. Two of the members, being Mr David Aquilina and Ms Laragh Cassar are independent from the company or any other related companies.

Executive Director
Sandra Murniece

Non-Executive Directors
Carmelo (sive) Melo Hili
Richard Abdilla Castillo
Geoffrey Camilleri
Victor Tedesco

Independent Non-Executive Directors
David Aquilina
Laragh Cassar

The Board of Directors (continued)

The Board meetings are attended by the Chief Financial Officer of the company in order for the Board to have direct access to the financial operation of the group. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are effectively implemented.

The remuneration of the Board is reviewed periodically by the shareholders of the company.

The company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

The directors are fully aware of their duties and obligations, and whenever a conflict of interest in decision making arises, they refrain from participating in such decisions.

Audit Committee

The Terms of Reference of the Audit Committee are modelled on the principles set out in the Listing Rules. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the company financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

The Board of Directors established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

David Aquilina	(Chairman)
Victor Tedesco	
Laragh Cassar	

This satisfies the requirement established by the Listing Rules that the Audit Committee is composed of non-executive directors, the majority of which being independent.

The Board of Directors assessed the independence of these members and unanimously agreed that in line with good corporate governance, David Aquilina, Victor Tedesco and Laragh Cassar conduct themselves in an independent and professional manner satisfing the listing rules. Furthermore, the Board of Directors considers the audit committee, as a whole, to have the relevant experience in the real estate sector, David Aquilina being considered to be an expert in the real estate business. David Aquilina is competent in accounting and/or auditing in terms of the Listing Rules.

The Chief Financial Officer of the company is also present during the Audit Committee meetings.

The Audit Committee met six times during 2018. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

While the Board is ultimately responsible for the company's internal controls as well as their effectiveness, authority to operate the company is delegated to the Managing Director.

The company's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, inter alia, reviews the effectiveness of the company's system of internal controls in the following manner:

1. Reviewing the company's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
2. Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve company objectives;
3. Appointing and monitoring the Managing Director whose function is to manage the operations of the company; and
4. Identifying and ensuring that significant risks are managed satisfactorily.
5. Company policies are being observed.

Corporate Social Responsibility

The Board is mindful of and seeks to adhere to sound principles of Corporate Social Responsibility in their daily management practices, which is also extended throughout the company's subsidiary companies. There is continuing commitment to operate the business ethically at all times, at the same time as contributing to economic development whilst improving the quality of life of its employees and their families together with the local community and society at large.

Relations with the market

The market is kept up to date with all relevant information, and the company regularly publishes such information on its website to ensure consistent relations with the market.

Non-compliance with the code

Principle 7: Evaluation of the board's performance
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 scrutiny of the shareholders of the company.

Principle 8: Committees
Under the present circumstances the board does not consider it necessary to appoint a remuneration committee and a nomination committee as decisions on these matters are taken at shareholder level.

Principle 10: Institutional shareholders
This principle is not applicable since the company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 25 April 2019 by:

Carmelo (sive) Melo Hili
Chairman

Sandra Murniece
Director

Hili Properties p.l.c.

Statements of profit or loss and other comprehensive income
Year ended 31 December 2018

		Group		Holding company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Revenue	*6*	**7,286,471**	6,337,456	**467,716**	387,253
Cost of sales		**(396,706)**	(394,846)	**-**	-
Other operating income	*7*	**392,586**	162,447	**64,584**	-
Other operating expenses		**(35,853)**	(27,246)		(738)
Administrative expenses		**(1,930,117)**	(1,702,894)	**(1,043,778)**	(785,779)
Operating profit/(loss)		**5,316,381**	4,374,917	**(511,478)**	(399,264)
Investment income	*8*	**3,679,507**	5,959,436	**1,819,031**	1,948,603
Investment losses	*9*	**(2,955,944)**	(4,666,746)	**(67,955)**	(154,915)
Net investment income		**723,563**	1,292,690	**1,751,076**	1,793,688
Finance income	*10*	**33,404**	59,184	**510,680**	406,663
Finance costs	*11*	**(3,529,549)**	(3,717,146)	**(2,151,365)**	(2,082,586)
Profit/(loss) before taxation	*12*	**2,543,799**	2,009,645	**(401,087)**	(281,499)
Income tax (expense)/credit	*15*	**(433,591)**	1,353,140	**191,730**	(152,593)
Profit/(loss) for the year		**2,110,208**	3,362,785	**(209,357)**	(434,092)
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translation of foreign operations		**(27,242)**	(227,855)	**-**	-
Total comprehensive income/(expense) for the year		**2,082,966**	3,134,930	**(209,357)**	(434,092)
Profit for the year attributable to:					
Owners of the company		**2,016,302**	3,242,036		
Non-controlling interests		**93,906**	120,749		
		2,110,208	3,362,785		
Total comprehensive income attributable to:					
Owners of the company		**1,989,060**	3,014,181		
Non-controlling interests		**93,906**	120,749		
		2,082,966	3,134,930		

Hili Properties p.l.c.

Statements of financial position

31 December 2018

	Notes	Group 2018 €	Group 2017 €	Holding company 2018 €	Holding company 2017 €
ASSETS AND LIABILITIES					
Non-current assets					
Intangible assets	*17*	**16,702**	17,131	**15,665**	15,665
Property, plant and equipment	*18*	**316,492**	323,354	**2,929**	1,314
Investment property	*19*	**113,016,023**	104,030,363	**4,534,856**	3,980,178
Property held for sale	*23*	**6,477,700**	237,000	**-**	-
Investment in subsidiaries	*20*	**-**	-	**32,550,729**	32,550,729
Deposit on acquisition of investment	*21*	**26,800,000**	24,500,000	**24,500,000**	24,500,000
Loans and receivables	*22*	**1,225,790**	2,322,974	**13,461,617**	12,276,876
Deferred tax asset	*29*	**347,163**	373,615	**-**	11,613
Restricted cash	*32*	**831,178**	353,700	**-**	-
		149,031,048	131,921,137	**75,065,796**	73,336,375
Current assets					
Loans and receivables	*22*	**290,535**	279,898	**7,304,564**	2,149,622
Trade and other receivables	*24*	**1,831,892**	2,180,937	**154,700**	756,032
Current tax asset		**671,422**	407,672	**591,755**	382,211
Cash at bank and on hand	*32*	**2,916,690**	852,715	**17,759**	21,014
		5,710,539	3,958,222	**8,068,778**	3,308,879
Total assets		**154,741,587**	135,879,359	**83,134,574**	76,645,254
Current liabilities					
Trade and other payables	*25*	**4,353,860**	2,925,344	**869,154**	743,675
Other financial liabilities	*26*	**4,204,918**	1,718,770	**1,626,735**	1,663,777
Bank overdraft and loans	*27*	**3,486,774**	3,231,409	**-**	32,341
Current tax liabilities		**780,095**	249,612	**-**	-
		12,825,647	8,125,135	**2,495,889**	2,439,793
Non-current liabilities					
Other financial liabilities	*26*	**1,730,082**	1,731,582	**4,959,032**	10,229,032
Bank loans	*27*	**47,179,142**	47,054,857	**-**	-
Other payables	*25*	**788,066**	768,532	**-**	-
Debt securities in issue	*28*	**36,479,574**	36,402,947	**36,479,574**	36,402,947
Deferred tax liabilities	*29*	**3,497,347**	3,438,657	**225,954**	190,000
		89,674,211	89,396,575	**41,664,560**	46,821,979
Total liabilities		**102,499,858**	97,521,710	**44,160,449**	49,261,772
Net assets		**52,241,729**	38,357,649	**38,974,125**	27,383,482

Statements of financial position (continued)

31 December 2018

	Note	Group 2018 €	Group 2017 €	Holding company 2018 €	Holding company 2017 €
EQUITY					
Share capital	*30*	**40,400,000**	28,600,000	**40,400,000**	28,600,000
Legal reserve		**103,920**	103,920	**-**	-
Loss offset reserve		**748,427**	748,427	**748,427**	748,427
Foreign exchange reserve		**(255,097)**	(227,855)	**-**	-
Retained earnings/ (accumulated losses)		**10,936,668**	8,920,366	**(2,174,302)**	(1,964,945)
Equity attributable to owners of the company		**51,933,918**	38,144,858	**38,974,125**	27,383,482
Non-controlling interests		**307,811**	212,791	**-**	-
Total equity		**52,241,729**	38,357,649	**38,974,125**	27,383,482

These financial statements were approved by the board of directors, authorised for issue on 25 April 2019 and signed on its behalf by:

Carmelo (sive) Melo Hili
Chairman

Sandra Murniece
Director

Statement of changes in equity
Year ended 31 December 2018

Group

	Share capital €	Loss offset reserve €	Legal reserve €	Foreign exchange reserve €	Retained earnings €	Attributable to owners of the Company €	Non-controlling interests €	Total €
Balance at 1 January 2017	**21,600,000**	**748,427**	-	-	**3,899,868**	**26,248,295**	**66,921**	**26,315,216**
Increase in share capital	7,000,000	-	-	-	-	7,000,000	-	7,000,000
Part of profit assigned to legal reserve	-	-	103,920	-	(103,920)	-	-	-
Other comprehensive expense	-	-	-	(227,855)	-	(227,855)	-	(227,855)
Profit for the year	-	-	-	-	3,242,036	3,242,036	120,749	3,362,785
Balance at 31 December 2017	**28,600,000**	**748,427**	**103,920**	**(227,855)**	**8,920,366**	**38,144,858**	**212,791**	**38,357,649**
Increase in share capital	11,800,000	-	-	-	-	11,800,000	-	11,800,000
Contribution to subsidiary capital	-	-	-	-	-	-	1,114	1,114
Other comprehensive expense	-	-	-	(27,242)	-	(27,242)	-	(27,242)
Profit for the year	-	-	-	-	2,016,302	2,016,302	93,906	2,110,208
Balance at 31 December 2018	**40,400,000**	**748,427**	**103,920**	**(255,097)**	**10,936,668**	**51,933,918**	**307,811**	**52,241,729**

Hili Properties p.l.c.

Statement of changes in equity
Year ended 31 December 2018

Holding company

	Share capital €	Loss offset reserve €	Accumulated losses €	Total €
Balance at 1 January 2017	21,600,000	748,427	(503,307)	21,845,120
Increase in share capital	7,000,000	-	-	7,000,000
Total comprehensive expense for the year	-	-	(434,092)	(434,092)
Balance at 31 December 2017	28,600,000	748,427	(1,964,945)	27,383,482
Increase in share capital	11,800,000	-	-	11,800,000
Total comprehensive expense for the year	-	-	(209,357)	(209,357)
Balance at 31 December 2018	**40,400,000**	**748,427**	**(2,174,302)**	**38,974,125**

Hili Properties p.l.c.

Statements of cash flows

Year ended 31 December 2018

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash flows from operating activities				
Profit/(loss) before tax	**2,543,799**	2,009,645	**(401,087)**	(281,499)
Adjustments for:				
Unrealised exchange losses	**39,426**	530,958	**-**	-
Unrealised exchange gains	**-**	(740,646)	**-**	-
Bad debts written off	**14,683**	3,255	**-**	-
Depreciation of property, plant and equipment	**112,892**	103,517	**6,077**	3,558
Amortisation of bond issue costs	**76,627**	76,627	**76,627**	76,627
Amortisation of intangible assets	**429**	429	**-**	-
Interest expense	**3,378,591**	3,047,126	**2,074,738**	2,005,959
Interest income	**(33,404)**	(165,718)	**(510,680)**	(472,512)
Increase in fair value of investment properties	**(2,058,678)**	(5,090,256)	**(500,000)**	(291,581)
Increase in fair value of properties held for sale	**-**	(22,000)	**-**	-
Decrease in fair value of investment properties	**2,232,728**	888,267	**-**	-
Decrease in fair value of properties held for sale	**-**	-	**-**	-
Loss on disposal of investment property	**551,400**	96,170	**-**	96,170
Impairment of goodwill	**-**	3,215,030	**-**	-
Gain on bargain purchase	**(1,592,964)**	-	**-**	-
Operating profit before working capital movements	**5,265,529**	3,952,404	**745,675**	1,136,722
Movement in trade and other receivables	**399,370**	(966,506)	**192,922**	257,792
Movement in trade and other payables	**235,701**	1,613,129	**(276,110)**	255,724
Cash flows from operations	**5,900,600**	4,599,027	**662,487**	1,650,238
Income tax paid	**(334,052)**	(707,041)	**(3,187)**	(56,792)
Income tax refunded	**-**	7,319	**-**	-
Interest paid	**(3,447,104)**	(2,936,911)	**(1,710,191)**	(1,665,000)
Net cash flows from/(used in) operating activities	**2,119,444**	962,394	**(1,050,891)**	(71,554)

Hili Properties p.l.c.

Statements of cash flows (continued)
Year ended 31 December 2018

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash flows from investing activities				
Proceeds from sale of investment property	**1,001,000**	625,000	**-**	625,000
Additions to investment property	**(5,590,228)**	(1,985,279)	**(54,678)**	(317,331)
Acquisition related costs	**-**	(408,534)		
Acquisition of business	**(5,142,253)**	(30,909,137)	**-**	-
Security deposits received	**19,534**	731,211	**-**	-
Deposit on acquisition of investment	**(2,300,000)**	(5,000,000)	**-**	(5,000,000)
Purchase of property, plant and equipment	**(45,557)**	(11,036)	**(7,692)**	(430)
Purchase of intangible assets	**-**	(7,329)	**-**	(7,329)
Interest received	**33,404**	106,534	**16,178**	65,849
Settlement of loans granted to related parties	**1,228,055**	5,830,191	**-**	4,354,804
Settlement of loans and receivables	**1,266,989**	-	**1,277,760**	-
Advances to related parties	**-**	-	**(6,681,591)**	(10,081,582)
Net cash flows used in investing activities	**(9,529,056)**	(31,028,379)	**(5,450,023)**	(10,361,019)
Cash flows from financing activities				
Proceeds from issue of share capital	**11,800,000**	-	**11,800,000**	-
Proceeds from bank loans	**8,568,885**	28,750,000	**-**	-
Repayment of bank loans	**(12,907,911)**	(1,873,101)	**(32,341)**	-
Transfer to restricted cash	**(477,478)**	(353,700)	**-**	-
Proceeds from related parties	**3,501,114**	1,467,303	**-**	8,308,237
Payments to related parties	**(1,015,352)**	-	**(5,270,000)**	
Net cash flows from financing activities	**9,469,258**	27,990,502	**6,497,659**	8,308,237
Net movement in cash and cash equivalents	**2,059,646**	(2,075,483)	**(3,255)**	(2,422,264)
Foreign exchange on cash and cash equivalents	**(27,242)**	(1,954)	**-**	-
Cash and cash equivalents at the beginning of the year	**852,715**	2,842,018	**21,014**	2,410,937
Cash and cash equivalents at the end of the year (note 32)	**2,885,119**	764,581	**17,759**	(11,327)

1. Company information and basis of preparation

Hili Properties p.l.c. ('the holding company' or 'the company) is a public limited company incorporated and domiciled in Malta with registration number C57954. The principal activity of the Hili Properties p.l.c. and its subsidiaries ('the group') is to hold and rent immovable property. As disclosed in note 28, the company has issued bonds which are listed on the Malta Stock Exchange. The registered address of the holding company is Nineteen Twenty Three, Valletta Road, Marsa.

The financial statements of the holding company and the consolidated financial statements of the group have been prepared on an accrual basis and under the historical cost convention, except for investment properties which are carried at their fair values, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). They have been prepared under the assumption that the group operates on a going concern basis.

The significant accounting policies adopted by the holding company and the group are set out below.

2. Significant accounting policies

Basis of consolidation

Acquisition of subsidiaries

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition of subsidiaries is accounted for by applying the acquisition method. The consideration is measured as the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities.

The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except as specifically required by other IFRS. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

Business combination and goodwill

The group applies the acquisition method in accounting for business combinations. Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred; (ii) the amount of any non-controlling interests in the acquiree; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill represents the future economic benefits that are not individually identified and separately recognised. The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit or loss.

Non-controlling interest

Non-controlling interests in the acquiree that are present ownership interests and entitle their shareholders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at the present ownership interests proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies (continued)

Investment in subsidiaries

A subsidiary is an entity that is controlled by the company. The company controls an investee when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries, in the company's financial statements are stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

At each balance sheet date, the company reviews the carrying amount of its investment in subsidiaries to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria.

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss within 'other operating income' or 'other operating expenses' in the period of derecognition.

2. Significant accounting policies (continued)

Intangible assets (continued)

Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is amortised on a straight-line basis over three years.

Property, plant and equipment

The company's property, plant and equipment are classified into furniture, fixtures and other equipment and improvements to leasehold land.

Property, plant and equipment are initially measured acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the group's management. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised when no future economic benefits are expected from their use or upon disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss within 'other operating income' or 'other operating expenses' in the period of derecognition.

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over its estimated useful lives, using the straight-line method, on the following bases:

Furniture, fixtures and other equipment	- over 3 to 10 years
Improvements to leasehold land	- over 5 years being the term of the lease

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is revalued annually and is stated at fair value in the statement of financial position at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds and the carrying amount and are recognised in profit or loss in the period of derecognition.

Property held for sale

Investment property is classified as property held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property held for sale is measured at fair value, in accordance with the group's accounting policy on investment property.

Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the group 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 the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) 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).

2. **Significant accounting policies (continued)**

Financial instruments (continued)

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 periods presented the group 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
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or other financial items, except for impairment of trade receivables which is presented within 'other operating expenses'.

(iii) Subsequent measurement of financial assets

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
- 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 group's cash and cash equivalents, loans and receivables, trade and most other receivables fall into this category of financial instruments.

(iv) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

2. **Significant accounting policies (continued)**

Financial instruments (continued)

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group 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.

(v) Previous financial asset impairment under IAS 39

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

(vi) Loans receivables and trade and other receivables

The group makes use of a simplified approach in accounting for loans receivables, trade and other receivables as well as contract assets 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.

2. Significant accounting policies (continued)

Financial instruments (continued)

The group assess impairment of loans receivables and trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

(vii) Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The group's financial liabilities include bank loans, debt securities in issue and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated 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 and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Impairment testing of goodwill, intangible assets and property, and plant and equipment

For impairment assessment purposes, 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other 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.

2. Significant accounting policies (continued)

Impairment testing of goodwill, intangible assets and property, and plant and equipment (continued)

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Provision of services

Revenue from the provision of services arises mainly from management services provided by the holding company to its subsidiaries. Revenue from these services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

2. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Rental income

Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

During the current financial year, the group adopted IFRS 15, Revenue from Contracts with Customers which became effective on 1 January 2018. However, this Standard had no impact on the group's recognition of revenue.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended periods in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Taxation

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

The group contributes towards the state pension in accordance with local legislation. The only obligation of the group is to make the required contributions. Costs are expensed in the period in which they are incurred.

Foreign currency translation

The financial statements of the holding company and the consolidated financial statements of group are presented in the holdings company's functional currency, the Euro, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at period-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2. Significant accounting policies (continued)

Foreign currency translation (continued)

Foreign exchange gains and losses are classified with other operating income or other operating expenses as appropriate, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting these financial statements, income and expenses (including comparatives) of the group's foreign operations with functional currency other than the Euro are translated into Euro at the monthly average rate over the reporting period. Assets and liabilities (including comparatives) of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Euro at the closing rate. Exchange differences are recognised in other comprehensive income and accumulated in the 'foreign exchange reserve' in equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

Any reimbursement that the group is 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.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

2. Significant accounting policies (continued)

Equity and reserves

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

Other components of equity include the following:

(i) Foreign exchange reserves - comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into Euro.

(ii) Other reserves - see Note 30.

Retained earnings/(accumulated losses) includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Other than as disclosed below, in the process of applying the group's and company's accounting policies, the directors have made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amounts of these assets can be realised requires an estimation of the recoverable amount of the cash generating units. The calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Goodwill arising on a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The carrying amount of goodwill at 31 December 2017 and 31 December 2018 is amounted to *€Nil*.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Impairment of goodwill (continued)

During 2017, the directors decided to impair goodwill of *€3,215,030* attributable to Apex Investments SIA and Tukuma Projekts SIA.

The goodwill arising on acquisition was in relation to the synergies of having an operating base in Latvia, which synergies were expected to yield additional benefits in the technical and financial operations of the management of the property arising from the centralisation of the operational and technical teams, to reduce direct costs attributable to property facilities and customer management activities and to enhance the possibility of tax planning opportunities.

The recoverable amount of the CGU amounting to *€20,684,970* was determined with reference to the fair value of the respective investment properties using a discounted cash flow method plus the corresponding amount of net assets attributable to this unit.

The fair value measurement is categorised within Level 3 of the fair value hierarchy.

The key assumptions for the calculation of the fair value of the investment properties are those regarding the discount rates and growth rates. The discount rates and growth rates are market derived and the duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and relate lease up periods, re-letting, redevelopment or refurbishment.

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted cash flow projections for the next 5 years
- growth rates of 1 – 3%
- use of 7.08% - 8.28% to discount the projected cash flows to net present values.

Fair value of investment properties

The group and the company carry its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The fair value of investment properties as at 31 December 2017 has been arrived at on the basis of internal assessments to reflect market conditions at that date. These internal assessments also considered independent external valuations obtained for all the group's properties during 2015 together with independent external valuations obtained during 2017 for a selection of properties in Malta and the Baltics covering 19% of the group property portfolio.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Fair value of investment properties (continued)

During 2018, external market valuations were obtained for a selection of nine properties, covering 45% of the property portfolio held by the group. The external valuation of one of these properties, located in Malta, was made on an open market value basis. The external valuations of the other eight properties, seven located in the Baltics and one in Romania, were based on the discounted cash flow technique using the applicable discount rate and market yields as disclosed in note 19.

Where external market valuations were not performed, an assessment of fair value of the investment property was performed internally to reflect market conditions. Internal assessments were based on the discounted cash flow technique using the applicable discount rate and market yields as disclosed in note 19.

The external valuations were carried out by external independent valuers having recent experience in the location and type of property being valued. Based on this assessment, the directors are of the opinion that the fair value determined is an appropriate estimate of the fair value at 31 December 2018. Movements in fair value are disclosed in notes 8, 9 and 19.

The external valuations were carried out by external independent valuers having recent experience in the location and type of property being valued. Investment properties are classified as level 3 of the fair value hierarchy.

Investments in subsidiaries

The company reviews investments in subsidiaries to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. At the end of the year there was no objective evidence of impairment in this respect.

4. New or revised Standards or Interpretations

New standards adopted as at 1 January 2018

(i) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers (hereinafter referred to as IFRS 15) replace IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue related Interpretations. Application of the standard is mandatory for periods beginning on 1 January 2018, with earlier adoption being permitted. In accordance with transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018. Upon assessment, the directors of the holding company and the group concluded that the adoption of IFRS 15 did not have an impact on the amounts reported and disclosures made in these financial statements.

(ii) IFRS 9 Financial Instruments

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement.

The completed standard comprises guidance on classification and measurement, impairment hedge accounting and derecognition.

IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and its cash flow characteristics. A new business model was introduced which allows certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances.

The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

The new standard introduces a single "expected credit loss" impairment model for the measurement of financial assets.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

These amendments are effective for periods beginning on or after 1 January 2018. The standard has been endorsed by the EU.

Financial assets that are currently measured at amortised cost will generally continue to be measured at amortised cost.

Initial application of IFRS 9 did not result to any changes to the classification or measurement of financial assets and financial liabilities.

4. New or revised Standards or Interpretations (continued)

New standards adopted as at 1 January 2018 (continued)

(ii) IFRS 9 Financial Instruments (continued)

Upon assessment, the directors of the holding company and the group concluded that the adoption of IFRS 9, except for complying to the disclosures for the impairment requires of the Standard, did not have an impact on the amounts reported in these financial statements.

(iii) IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

IFRIC 22 specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Any advance considerations paid or received in the normal operations of the group and the company are denominated in the functional currency of the respective group undertaking and the company.

Upon assessment, the directors of the holding company and the group concluded that the adoption of IFRIC 22 did not have an impact on the amounts reported and disclosures made in these financial statements.

(iv) Amendments to IAS 40 Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

These amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted. The amendment has been endorsed by the EU. Changes in the use and consequent reclassification of the investment property held by the group and the company is not expected in the foreseeable future. Accordingly, the directors anticipate that the application of IAS 40 amendments has no material impact on the financial statements of the group and the company in the period of initial application.

4. New or revised Standards or Interpretations (continued)

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the group

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 group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the group's financial statements.

(i) IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. It completes the IASB's long-running project to overhaul lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 has been endorsed by the EU and is effective for periods beginning on or after 1 January 2019 with early adoption being permitted.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the directors of the holding company and the group do not expect any changes for leases where they are acting as lessors.

5. Segment information

The segment reporting of the group is made in terms of the location which it conducts its business in, as the risks and rates of return are affected predominantly by differences in the services provided in the different locations. The group is currently organised into five main business segments: Malta, Latvia, Estonia, Lithuania and Romania. Each of these operating segments is managed separately as each of these lines requires local resources. All inter segment transfers for management services are carried out on a cost basis.

5. Segment information (continued)

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. The group's reportable segments under IFRS 8 are direct sales attributable to each line of business.

Measurement of operating segment profit or loss, assets and liabilities

Segment profit represents the profit earned by each segment after allocation of central administration costs based on services provided. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to consolidated totals are reported below:

Profit before taxation

	2018	2017
	€	€
Total profit for reportable segments	**6,527,023**	13,612,930
Elimination of inter segment profits	**(2,161,493)**	(9,776,695)
Unallocated amounts:		
Finance costs	**(1,741,627)**	(1,741,627)
Other unallocated amounts	**(80,104)**	(84,963)
	2,543,799	2,009,645

Assets

	2018	2017
	€	€
Total assets for reportable segments	**188,218,493**	163,280,111
Elimination of inter segment receivables	**(33,481,625)**	(27,421,590)
Unallocated amounts:		
Other unallocated amounts	**4,719**	20,838
	154,741,587	135,879,359

5. Segment information (continued)

Liabilities

	2018 €	2017 €
Total liabilities for reportable segments	**91,868,853**	79,378,458
Elimination of inter segment payables	**(25,903,817)**	(18,292,780)
Unallocated amounts:		
Debt securities in issue	**36,479,574**	36,402,947
Other unallocated amounts	**55,248**	33,085
	102,499,858	97,521,710

Included in revenue arising from rental of investment property in Romania are revenues of *€1,240,242* (2017: *€916,211*) which arose from the group's largest customer. Another customer, located in Latvia, contributed to 14% of the group's revenue for 2018 amounting to *€1,017,135* (2017: *€1,135,076*). No other single customer contributed to 10% or more of the group's revenue for both 2018 and 2017.

5. Segment information (continued)

2018

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and Adjustments €	Consolidated €
Revenue	2,512,805	2,932,448	109,996	266,029	2,384,910	8,206,188	-	(919,717)	**7,286,471**
Profit before taxation	4,660,036	2,046,122	115,596	395,003	(689,734)	6,527,023	(1,821,731)	(2,161,493)	**2,543,779**
Unrealised exchange losses	-	-	-	-	(39,426)	(39,426)	-	-	**(39,426)**
Depreciation and amortisation	(100,851)	(30,699)	-	-	(126)	(131,676)	-	18,694	**(112,892)**
Investment income	3,246,704	1,843,990	36,052	208,779	27,865	5,363,390	-	(1,683,883)	**3,679,507**
Investment losses	-	(1,009,127)	-	-	(1,775,000)	(2,784,127)	(67,956)	(103,861)	**(2,955,944)**
Finance income	824,337	165,112	5,664	7,068	-	1,002,181	-	(968,777)	**33,404**
Finance costs	(830,167)	(634,391)	-	(36,624)	(863,074)	(2,364,256)	(1,741,627)	576,334	**(3,529,549)**
Segment assets	93,513,407	53,847,471	1,945,275	4,655,375	34,256,964	188,218,493	4,719	(33,481,625)	**154,741,587**

5. **Segment information (continued)**

2018

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and Adjustments €	Consolidated €
Investment property	39,784,856	35,789,236	1,700,000	4,400,000	31,341,931	113,016,023	-	-	**113,016,023**
Additions to investment property	249,152	14,495,861	-	-	2,207,797	16,952,810	-	-	**16,952,810**
Additions to deposit on acquisition of investment	-	2,300,000	-	-	-	2,300,000	-	-	**2,300,000**
Segment liabilities	24,531,122	39,285,587	925,111	2,920,680	24,206,353	91,868,853	36,534,822	(25,903,817)	**102,499,858**
Income tax (expense)/credit	(424,945)	(38,806)	(174,000)	(59,250)	(19,670)	(716,671)	-	283,080	**(433,591)**

5. **Segment information (continued)**

2017

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and Adjustments €	Consolidated €
Revenue	2,249,005	2,825,012	109,996	258,280	1,590,722	7,033,015	-	(695,557)	**6,337,456**
Profit before taxation	6,395,858	5,110,059	35,179	1,498,142	573,692	13,612,930	(1,826,590)	(9,776,695)	**2,009,645**
Unrealised exchange losses	-	-	-	-	(530,958)	(530,958)	-	-	**(530,958)**
Depreciation and amortisation	(98,332)	(5,185)	-	-	-	(103,517)	-	-	**(103,517)**
Impairment of goodwill	-	(3,215,030)	-	-	-	(3,215,030)	-	-	**(3,215,030)**
Investment income	5,472,098	1,537,867	-	1,340,359	740,646	9,090,970	-	(3,131,534)	**5,959,436**
Unrealised exchange gains	-	-	-	-	740,646	740,646	-	-	**740,646**
Investment losses	(96,170)	(4,068,145)	(35,152)	-	(408,534)	(4,608,001)	(58,745)	-	**(4,666,746)**
Finance income	658,663	125,146	2,436	7,000	-	793,245	-	(734,061)	**59,184**
Finance costs	(724,077)	(606,197)	-	(41,103)	(1,123,102)	(2,494,479)	(1,741,627)	518,960	**(3,717,146)**
Segment assets	89,569,614	34,683,820	1,816,485	4,435,016	32,775,176	163,280,111	20,838	(27,421,590)	**135,879,359**

5. Segment information (continued)

2017

	Malta €	Latvia €	Estonia €	Lithuania €	Romania €	Total €	Unallocated €	Eliminations and Adjustments €	Consolidated €
Investment property	37,972,880	29,293,177	1,663,948	4,191,221	30,909,137	104,030,363	-	-	**104,030,363**
Additions to investment property	1,602,900	382,379	-	-	30,909,137	32,894,416	-	-	**32,894,416**
Additions to deposit on acquisition of investment	12,000,000	-	-	-	-	12,000,000	-	-	**12,000,000**
Segment liabilities	33,556,616	22,044,086	41,917	1,736,073	21,999,766	79,378,458	36,436,032	(18,292,780)	**97,521,710**
Income tax (expense)/credit	(1,488,249)	2,725,178	-	(224,721)	(94,775)	917,433	-	435,707	**1,353,140**

6. Revenue

Revenue represents the total invoiced value of services provided and rents receivable during the year, net of any indirect taxes as follows:

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Rental income	**7,286,471**	6,337,456	**101,712**	21,249
Management fees	**-**	-	**366,004**	366,004
	7,286,471	6,337,456	**467,716**	387,253

7. Other operating income

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Other operating income	**392,586**	162,447	**64,584**	-

8. Investment income

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Increase in fair value of investment properties	**2,058,678**	5,090,256	**500,000**	291,581
Gain on bargain purchase	**1,592,964**			
Increase in fair value of property held for sale	**-**	22,000	**-**	-
Interest received from parent	**-**	106,534	**-**	65,849
Dividend income from equity instruments	**-**	-	**1,319,031**	1,591,173
Unrealised exchange gains	**27,865**	740,646	**-**	-
	3,679,507	5,959,436	**1,819,031**	1,948,603

9. Investment losses

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Decrease in fair value of investment properties	**2,232,728**	888,267	**-**	-
Loss on disposal of investment property	**551,400**	96,170	**-**	96,170
Acquisition related costs	**171,816**	467,279	**67,955**	58,745
Impairment of goodwill	**-**	3,215,030	**-**	-
	2,955,944	4,666,746	**67,955**	154,915

10. Finance income

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Interest on bank balances	**4**	3	**-**	-
Interest receivable on:				
- amounts due from other related companies	**33,400**	59,181	**18,413**	32,625
- amounts due from subsidiaries	**-**	-	**492,267**	374,038
	33,404	59,184	**510,680**	406,663

11. Finance costs

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Interest on bank overdraft and loans	**1,604,587**	1,271,911	**-**	-
Interest on debt securities	**1,665,000**	1,665,000	**1,665,000**	1,665,000
Interest payable on:				
- amounts due to other related companies	**86,090**	86,091	**86,090**	86,091
- amounts due to subsidiaries	**-**	-	**307,186**	234,868
- amounts due to parent	**22,665**	24,124	**16,462**	20,000
Processing fees	**35,154**	62,435	**-**	-
Amortisation of bond issue costs	**76,627**	76,627	**76,627**	76,627
Unrealised exchange losses	**39,426**	530,958	**-**	-
	3,529,549	3,717,146	**2,151,365**	2,082,586

12. Profit/(loss) before taxation

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
This is stated after charging				
Depreciation and amortisation	**113,411**	103,946	**6,077**	3,558
Management fees	**360,000**	360,000	**360,000**	360,000
Legal and professional fees	**381,308**	315,607	**102,267**	93,462
Unrealised exchange losses	**39,426**	530,958	**-**	-

The analysis of the amounts that are payable to the auditors and that are required to be disclosed is as follows:

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to *€20,580* (2017: *€20,350*) and the remuneration payable to the other auditors in respect of the audits of undertakings included in the consolidated financial statements amounted to *€53,480* (2017: *€45,133*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *€2,305* (2017: *€6,399*) and *€1,180* (2017: *€12,795*) respectively.

Holding company

The remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *€2,750* (2017: *€5,115*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *€575* (2017: *€2,310*) and *€Nil* (2017: *€350*) respectively.

13. Key management personnel compensation

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Directors' compensation:				
Short term benefits				
Fees	**39,445**	35,985	**31,005**	35,985
Remuneration	**108,658**	83,645	-	40,796
	148,103	119,630	**31,005**	76,781
Other key management personnel compensation:				
Salaries and social security contributions	**66,069**	74,138	**66,069**	74,138
Total key management personnel compensation	**214,172**	193,768	**97,074**	150,919

The group and the company incurred management fees in relation to the provision of key management personnel services amounting to *€360,000* (2017: *€360,000*). These management fees were paid to the parent company.

14. Staff costs and employee information

	Group 2018 €	Group 2017 €	Holding company 2018 €	Holding company 2017 €
Staff costs:				
Wages and salaries	**508,188**	603,036	**294,044**	346,247
Social security costs	**73,661**	72,241	**18,705**	18,082
Recharged to subsidiary	**-**	-	**(114,325)**	(122,869)
Recharged to other related companies	**(114,325)**	(122,869)	**-**	-
	467,524	552,408	**198,424**	241,460

The average number of persons employed during the year, including executive directors, was made up as follows:

	Group 2018 Number	Group 2017 Number	Holding company 2018 Number	Holding company 2017 Number
Administration	**10**	9	**4**	4
Operations	**8**	8	**8**	8
	18	17	**12**	12

15. Income tax expense/(credit)

	Group 2018 €	Group 2017 €	Holding company 2018 €	Holding company 2017 €
Current tax expense/(credit)	**489,956**	154,727	**380,804**	(35,712)
Consideration received for tax losses surrendered to group entity	**(141,507)**	-	**(141,507)**	-
Deferred tax expense/(credit) (note 29)	**85,142**	(1,507,867)	**(47,567)**	188,305
Income tax expense/(credit)	**433,591**	(1,353,140)	**191,730**	152,593

15. Income tax (credit)/expense (continued)

Tax applying the statutory domestic income tax rate and the income tax expense for the period are reconciled as follows:

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Profit/(loss) before taxation	**2,543,799**	2,009,645	**(401,087)**	(281,499)
Tax at the applicable rate of 35%	**890,330**	703,376	**(140,380)**	(98,525)
Tax effect of:				
Different tax rates of subsidiaries	**(216,665)**	(537,033)	**-**	-
Disallowable expenses	**671,731**	688,537	**334,346**	344,771
Disallowed impairment of goodwill	**-**	1,125,261	**-**	-
Income not subject to tax	**(557,357)**	(587,812)	**-**	-
Amortisation of grant income	**(1,295)**	(1,295)	**-**	-
Maintenance allowance	**(66,858)**	(58,775)	**-**	-
Income taxed at 15%	**(126,567)**	(121,219)	**(20,342)**	(4,293)
Increase in fair value of investment property not chargeable to tax	**(432,640)**	(884,623)	**(175,000)**	(102,053)
Asorbed capital allowances	**-**	(130,057)	**-**	-
Income taxed under the FRFTC method	**-**	-	**-**	418
Depreciation on ineligable assets	**2,127**	13,034	**2,127**	(449)
Accounting loss on sale of property	**-**	33,660	**-**	33,660
Untaxed dividend	**-**	-	**(240,047)**	(258,163)
Witholding tax on dividend	**174,000**	-	**-**	-
8% FWT on sale of property	**-**	47,228	**-**	47,228
Deferred tax on revaluation of investment property	**161,439**	1,189,481	**50,000**	190,000
Tax deductions on investment property	**(90,825)**	(84,585)	**-**	-
Write-off due to CIT law change	**-**	(2,820,756)	**-**	-
Other differences	**26,171**	72,438	**(2,434)**	-
Income tax (credit)/ expense for the year	**433,591**	(1,353,140)	**(191,730)**	152,594

16. Goodwill

	€
At 1 January 2017	3,215,030
Impairment loss (note 9)	(3,215,030)
At 1 January and 31 December 2018	-

Further disclosures in connection with goodwill are included in note 3.

17. Intangible assets

Group

	€
Cost	
At 1 January 2017	10,481
Additions	7,329
At 1 January 2018	17,810
Additions	7,329
At 31 December 2018	17,810
Accumulated amortisation	
At 1 January 2017	250
Provision for the year	429
At 1 January 2018	679
Provision for the year	429
At 31 December 2018	1,108
Carrying amount	
At 31 December 2017	17,131
At 31 December 2018	**16,702**

17. Intangible assets (continued)

Holding company

	€
Cost	
At 1 January 2017	8,336
Additions	7,329
At 1 January 2018	15,665
Additions	-
At 31 December 2018	15,665
Carrying amount	
At 31 December 2017	15,665
At 31 December 2018	**15,665**

As at 31 December 2018, all intangible assets owned by the group and the company have been put into use.

18. Property, plant and equipment

Group

	Furniture, fixtures and other equipment	Improvements to leasehold land	Total
	€	€	€
Cost			
At 1 January 2017	385,050	246,542	631,592
Additions	11,036	-	11,036
At 1 January 2018	396,086	246,542	642,628
Additions	91,923	14,197	106,120
Disposal	(15,924)	-	(15,924)
At 31 December 2018	472,085	260,739	732,824
Accumulated depreciation			
At 1 January 2017	166,449	49,308	215,757
Provision for the year	54,209	49,308	103,517
At 1 January 2018	220,658	98,616	319,274
Provision for the year	59,842	53,140	112,982
Disposal	(15,924)	-	(15,924)
At 31 December 2018	264,576	151,756	416,332
Carrying amount			
At 31 December 2017	174,428	147,926	323,354
At 31 December 2018	**207,509**	**108,983**	**316,492**

€Nil (2017: *€73,204*) worth of assets have not been put into use as at 31 December 2018.

18. Property, plant and equipment (continued)

Holding company

	Furniture, fixtures and other equipment €
Cost	
At 1 January 2017	10,664
Additions	430
At 1 January 2018	11,094
Additions	7,692
At 31 December 2018	18,786
Accumulated depreciation	
At 1 January 2017	6,222
Provision for the year	3,558
At 1 January 2018	9,780
Provision for the year	6,077
At 31 December 2018	15,857
Carrying amount	
At 31 December 2017	1,314
At 31 December 2018	**2,929**

19. Investment property

Group

	Retail/ commercial properties	Office properties	Other properties	Total
	€	€	€	€
At 1 January 2017	61,521,055	40,609,309	1,899,999	104,030,363
Additions	400,227	1,585,052	-	1,985,279
Disposals	-	(721,169)	-	(721,169)
Increase in fair value (note 8)	3,397,699	1,400,976	291,581	5,090,256
Decrease in fair value (note 9)	(888,267)	-	-	(888,267)
Acquired on business combination (note 34)	21,327,305	9,581,832	-	30,909,137
At 1 January 2018	61,521,055	40,609,309	1,899,999	104,030,363
Additions	6,304,554	193,577	54,679	6,552,810
Disposals	(1,315,400)	-	-	(1,315,400)
Increase in fair value (note 8)	558,806	999,872	500,000	2,058,678
Decrease in fair value (note 9)	(1,682,478)	(550,250)	-	(2,232,728)
Acquired on business combination (note 34)	10,400,000	-	-	10,400,000
Transfer to held for sale (note 23)	(6,477,700)	-	-	(6,477,700)
At 31 December 2018	**69,308,837**	**41,252,508**	**2,454,678**	**113,016,023**

Holding company

	Office properties	Other properties	Total
	€	€	€
At 1 January 2017	2,080,178	1,900,000	3,980,178
Additions	317,331	-	317,331
Disposals	(721,170)	-	(721,170)
Increase in fair value	-	291,581	291,581
At 1 January 2018	2,080,178	1,900,000	3,980,178
Additions	54,678	-	54,678
Increase in fair value	-	500,000	500,000
At 31 December 2018	**2,134,856**	**2,400,000**	**4,534,856**

19. Investment property (continued)

The fair value of investment properties at 31 December 2017 amounting to *€104,030,363* has been arrived at on the basis of internal assessments to reflect market conditions at the end of the reporting period. These internal assessments also considered independent external valuations obtained for all the group's properties during 2015 together with other independent external valuations obtained during 2017 for a selection of five properties in Malta and the Baltics covering 19% of the group property portfolio.

During 2018, external market valuations were obtained for a selection of nine properties, covering 48% of the property portfolio value held by the group. The external valuation of one of these properties, located in Malta, was made on an open market value basis. The external valuations of the other eight properties, seven located in the Baltics and one in Romania, were based on the discounted cash flow technique using the applicable discount rate and market yields as disclosed below. At the end of the year, the directors re-assessed the fair value of these properties and were of the opinion that their fair value had not altered significantly since the external valuations performed during the year.

Where external market valuations were not performed, an assessment of fair value of the investment property was performed internally to reflect market conditions. Internal assessments were based on the discounted cash flow technique using the applicable discount rate and market yields as disclosed below.

In estimating the fair value of the property, the highest and best use of the property is its current use. The external valuations were carried out by external independent valuers having recent experience in the location and type of property being valued. Investment properties are classified as Level 3.

All the properties located in the Baltics amounting to *€41,889,234* (2017: *€35,148,343*) and 75% of the investment property located in Romania amounting to *€23,535,099* (2017: *€21,327,205*) are classified as retail/commercial properties. The remaining properties are located in Malta and Romania.

The levels in the fair value hierarchy have been defined in note 40. The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

19. Investment property (continued)

Valuation techniques and inputs

For the fair value of the investment properties located in Malta, which were valued externally, the valuation was determined based on comparable methods. The significant unobservable inputs were the rental yields and rental rates per square metre being derived from the properties.

	Range of significant unobservable inputs	
	Rental Yields	Rental rates per square metre
	%	%
2018	**4 – 5.2**	**70 - 114**
2017	**4 – 5.2**	**70 - 114**

For the fair value of the other investment properties located in Malta and the investment property located in the Baltics the valuation was determined by capitalising future net income streams based on significant unobservable inputs. These inputs include the growth rates and the discount rates as follows:

	Range of significant unobservable inputs	
	Discount Rate	Growth rate
	%	%
2018 – Malta	**7.00**	**0.77 – 3.54**
2018 – Romania	**7.75 – 8.20**	**1.80 – 2.00**
2018 – Baltics	**7.08 – 8.28**	**1.03 – 2.50**
2017 - Malta	7.00	0.22 – 1.80
2017 - Romania	8.50	1.50
2017 - Baltics	7.08 – 8.28	1.00 – 3.00

For each valuation for which rental value and capitalisation rate have been determined to be the significant unobservable inputs, the higher the rental value and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value. A reasonable change in the unobservable inputs is not expected to result in a material change in the value of the property.

19. Investment property (continued)

Operating leases – the Group as lessor

Operating leases relate to the investment property owned by the group with lease terms of between 1 to 20 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned under operating leases during the year amounted to *€7,286,471* (2017: *€6,337,456*). Included in rental income, the group does not have any contingent rents.

Direct operating expenses amounting to *€264,805* (2017: *€451,120*) and *€617* (2017: *€425*) were incurred by the group and the company respectively in relation to the investment property.

At the end of the reporting period, the respective lessees had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Within one year	**6,082,437**	6,207,411	**64,053**	64,053
Between one and five years	**19,367,270**	19,018,045	**345,000**	345,000
After five years	**30,144,331**	30,545,364	**-**	-
	55,594,038	55,770,820	**409,053**	409,053

20. Investment in subsidiaries

	€
At 1 January 2017	15,593,126
Capitalisation of loans receivable	16,957,603
At 1 January and 31 December 2018	**32,550,729**

During 2017, loans receivable from subsidiaries and interest thereon of *€16,957,603* were capitalised. *€7,471,957* of the loans and interest were converted into ordinary share capital while *€2,116,748* of these loans and interest were converted into redeemable preference shares of €1 each, having a non-cumulative and discretionary coupon of 4.5% per annum. *€7,368,898* was included with the cost of investment in subsidiaries since this amount became largely repayable exclusively at the discretion of the subsidiary.

20. Investment in subsidiaries (continued)

The preference shares issued by the subsidiaries are redeemable at par value at the option of the respective subsidiaries by the 31 December 2099 following a resolution to this effect at General Meeting. The ordinary shares of the subsidiaries rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividends payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are non-cumulative.

Details of the company's subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

	Proportion of ownership interest %
Hili Estates Holdings Company Limited	95 (2017: 95)
Hili Estates Limited	95 (2017: 95)
Premier Estates Limited	95 (2017: 95)
Hili Properties (Swatar) Limited	100 (2017: 100)

The registered office and principle place of business of all the above group undertakings is Nineteen Twenty-Three, Valletta Road, Marsa, Malta.

Hili Properties BV	100 (2017:100)

The registered office and principle place of business of the above group undertaking is Schiphol Boulevard 231, 1118BH, Amsterdam, Netherlands.

Premier Estates Eesti OÜ	100 (2017:100)

The registered office and principle place of business of the above group undertaking is Eesti, Mustamäe tee 16, Tallinn linn, Harju maakond, 1061.

Premier Estates Ltd SIA	100 (2017:100)

The registered office and principle place of business of the above group undertaking is Duntes street 6, Riga, LV – 1013, Latvia.

Tukuma Projekts SIA	100 (2017:100)
Apex Investments SIA	100 (2017:100)

The registered office and principal place of business of the above group undertakings is Citadeles 12, Riga LV-1, Latvia.

Premier Estates Lietuva UAB	100 (2017:100)

The registered office and principle place of business of the above group undertaking is Konstitucijos ave. 7, LT-09308, Vilnius, the Republic of Lithuania.

20. Investment in subsidiaries (continued)

	Proportion of ownership interest %
Hili Premier Estates Romania SRL	100 (2017: 100)

The registered office and principal place of business of the above group undertaking is 4-8 Nicolae Titulescu road, America house, 5th floor, Sector 1, Bucharest, Romania.

Premier Assets Romania SRL	100 (2017: N/A)

The registered office and principal place of business of the above group undertaking is 4-8 Nicolae Titulescu road, America House, 7th floor, Sector 1, Bucharest, Romania.

Tirdzniecibas Centrs Dole SIA	100 (2017: N/A)

The registered office and principal place of business of the above group undertaking is Audeju iela 16, Riga LV-1050, Latvia.

The principal activity of the above mention companies is to hold and rent immovable property, with the exception of Hili Estates Holding Company Limited and Hili Properties BV which act as holding companies.

Details of the share capital and reserves and profit for the year of the companies in which the company has direct ownership interest are as follows:

2018

	Share capital and reserves €	Profit/(loss) for the year €
Hili Estates Holdings Company Limited	7,387,265	521,479
Hili Properties (Swatar) Limited	6,866,149	1,023,315
Hili Properties BV	15,146,534	1,523,455

2017

	Share capital and reserves €	Profit/(loss) for the year €
Hili Estates Holdings Company Limited	7,665,785	1,397,352
Hili Properties (Swatar) Limited	5,842,835	1,185,106
Hili Properties BV	13,623,078	(298,809)

21. Deposit on acquisition of investment

On 25 August 2015, the company entered into a promise of share purchase agreement whereby it undertook to accept, purchase and acquire, 100% shareholding in Harbour (APM) Investments Limited for the sum of *€25,000,000*. Harbour (APM) Investments Limited is the company that owns the land at Benghajsa measuring circa 92,000m2. In 2015, a 50% deposit was paid. In 2017, *€12,000,000* of the remaining balance was settled, *€5,000,000* of which was settled in cash and *€7,000,000* was settled pursuant to an assignment of debt to Hili Ventures Limited and subsequently capitalised in the share capital of the company.

Both the company and the vendor have the unilateral and unconditional right to rescind the agreement, in which case the deposit already paid of *€24,500,000* becomes repayable on the demand by the company. At the end of the reporting period, the agreement was expected to be executed by the year 2022.

In December 2018, one of the subsidiary undertakings in Latvia entered into a purchase agreement and paid the full deposit of *€2,300,000* to acquire a plot of land measuring 10,680m2 located in Sporta Street, Riga, Latvia. The transaction was concluded on 18 January 2019, when the ownership of the land was registered in the subsidiary's name.

22. Loans and receivables

Group

	Loan to other related companies €
At 31 December 2017	2,602,872
Less: amounts expected to be settled within 12 months (shown under current assets)	(279,898)
Amounts expected to be settled after 12 months (shown under non- current assets)	2,322,974
At 31 December 2018	**1,516,325**
Less: amounts expected to be settled within 12 months (shown under current assets)	**(290,535)**
Amounts expected to be settled after 12 months (shown under non- current assets)	**1,225,790**

22. Loans and receivables (continued)

The above loans and receivables are unsecured. *€1,183,598* (2017: *€1,183,598*) of the amounts due from other related companies bear interest at the rate of 5% per annum. The remaining amounts of loans and receivables are interest free.

Amounts due from other related companies amounting to *€1,225,790* (2017: *€2,322,974*) have no fixed date for repayment and are not expected to be realised within 12 months after the end of the reporting period.

Movements in loans and receivables which are expected to be settled after 12 months of the reporting period are reconciled as follows:

Group

	Loan other related companies €
Amortised cost	
At 1 January 2017	2,322,974
Additions	-
At 1 January 2018	2,322,974
Additions	1,266,989
Settlement	(2,364,173)
Carrying amount	
At 31 December 2017 and 31 December 2018	**1,225,790**

22. Loans and receivables (continued)

Holding company

	Loan to subsidiaries	Loan to other related companies	Total
	€	€	€
At 31 December 2017	12,430,184	1,996,314	14,426,498
Less: amounts expected to be settled within 12 months (shown under current assets)	(1,945,184)	(204,438)	(2,149,622)
Amounts expected to be settled after 12 months (shown under non-current assets)	10,485,000	1,791,876	12,276,876
At 31 December 2018	**19,298,760**	**1,467,421**	**20,766,181**
Less: amounts expected to be settled within 12 months (shown under current assets)	**(7,062,933)**	**(241,631)**	**(7,304,564)**
Amounts expected to be settled after 12 months (shown under non-current assets)	**12,235,827**	**1,225,790**	**13,461,617**

The above loans and receivables are unsecured. *€11,265,000* (2017: *€10,485,000*) of the amounts due from subsidiaries bear interest at the rates of 2.6% to 5% per annum. The remaining loans and receivables are interest free.

€95,000 (2017: *€845,000*), *€550,000* (2017: *€1,340,000*) and *€11,590,827* (2017: *€8,300,000*) of the amounts due from subsidiaries are payable by the 2020, 2025 and 2027 respectively. *€1,225,790* (2017: *€1,791,876*) of the amounts due from other related companies have no fixed date of repayment and are not expected to be realised within 12 months after the end of the reporting period. All the remaining loans and receivables are payable on demand.

Movements in loans and receivables which are expected to be settled after 12 months of the reporting period are reconciled as follows:

22. Loans and receivables (continued)

Holding company

	Loan to subsidiaries	Loan to other related companies	Total
	€	€	€
Amortised cost			
At 1 January 2017	3,006,453	1,791,876	4,798,329
Additions	9,050,000	-	9,050,000
Settlement	(1,571,453)	-	(1,571,453)
At 31 December 2017	10,485,000	1,791,876	12,276,876
At 1 January 2018	10,485,000	1,791,876	12,276,876
Additions	2,462,501	-	2,462,501
Settlement	(711,674)	(566,086)	(1,277,760)
At 31 December 2018	12,235,827	1,225,790	13,461,617
Carrying amount			
At 31 December 2017	10,485,000	1,791,876	12,276,876
At 31 December 2018	**12,235,827**	**1,225,790**	**13,461,617**

23. Property held for sale

	Group
	€
Fair value	
At 1 January 2017	215,000
Increase in fair value (note 8)	22,000
At 1 January 2018	237,000
Disposals	(237,000)
Transfers from investment property	6,477,700
At 31 December 2018	**6,477,700**

Property held for sale are investment properties earmarked for sale. It is classified under current assets as the sale is expected to happen within the next 12 months.

24. Trade and other receivables

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Trade receivables	**184,826**	549,034	**358**	555
Other receivables	**364,644**	981,624	**16,803**	220,513
Amounts due from other related companies	**270,996**	156,024	**-**	-
Amounts due from parent	**298,479**	27,920	**-**	-
Amounts due from subsidiaries	**-**	-	**-**	441,350
Prepayments and accrued income	**712,947**	466,335	**137,539**	93,614
	1,831,892	2,180,937	**154,700**	756,032

Trade and other receivables are unsecured, interest free and payable on demand.

25. Trade and other payables

	Group		Holding company	
	2018	2017	**2018**	2016
	€	€	**€**	€
Trade payables	**1,054,384**	534,132	**72,224**	192,230
Amounts due to other related companies	**396,715**	74,990	**86,869**	6,174
Other payables	**1,453,418**	1,038,016	**213,258**	-
Accruals	**2,237,409**	2,046,738	**496,803**	545,271
	5,141,926	3,693,876	**869,154**	743,675
Less: amounts expected to be settled within 12 months (shown under current assets)	**(4,353,860)**	(2,925,344)	**(869,154)**	(743,675)
Amounts expected to be settled after 12 months (shown under non-current assets)	**788,066**	768,532	**-**	-

Trade and other payables are unsecured interest free and payable on demand.

26. Other financial liabilities

Group

	Loan from parent	Loan from other related companies	Total
	€	€	€
At 31 December 2017	1,497,318	1,953,034	3,450,352
Less: amounts expected to be settled within 12 months (shown under current liabilities)	(1,497,318)	(221,452)	(1,718,770)
Amounts expected to be settled after 12 months (shown under non- current liabilities)	-	1,731,582	1,731,582
At 31 December 2018	**3,760,481**	**2,174,519**	**5,935,000**
Less: amounts expected to be settled within 12 months (shown under current liabilities)	**(3,760,481)**	**(444,437)**	**(4,204,918)**
Amounts expected to be settled after 12 months (shown under non- current liabilities)	**-**	**1,730,082**	**1,730,082**

Amounts due to other related companies of *€2,174,520* (2017: *€1,731,582*) and amounts due to parent company of *€3,500,000* (2017: *€1,375,000*) bear an interest rate of 5% per annum and 4.5% per annum respectively. Amounts due to other related companies of *€1,731,582* (2017: *€1,731,582)* have no fixed date for repayment but the group has an unconditional right to defer settlement of these loans for at least twelve months after the end of the reporting period. Amounts due to parent company of *€Nil* (2017: *€1,225,000*) and *€3,500,000* (2017: *€150,000*) are payable by 31 March 2018 and 31 December 2019 respectively. All the remaining amounts are interest free and payable on demand. All the other financial liabilities listed above are unsecured.

26. Other financial liabilities (continued)

Holding company

	Loan from subsidiaries	Loan from parent	Loan from other related companies	Total
	€	€	€	€
At 31 December 2017	8,605,765	1,343,790	1,943,254	11,892,809
Less: amounts expected to be settled within 12 months (shown under current liabilities)	(98,535)	(1,343,790)	(221,452)	(1,663,777)
Amounts expected to be settled after 12 months (shown under non-current liabilities)	8,507,230	-	1,721,802	10,229,032
At 31 December 2018	**4,521,383**	**109,327**	**1,955,057**	**6,585,767**
Less: amounts expected to be settled within 12 months (shown under current liabilities)	**(1,284,153)**	**(109,327)**	**(233,255)**	**(1,626,735)**
Amounts expected to be settled after 12 months (shown under non-current liabilities)	**3,237,230**	**-**	**1,721,802**	**4,959,032**

€3,237,230 (2017: *€8,507,230*) of the amounts due to subsidiaries bear interest at the rate of 3.5% - 5% per annum and are repayable by 2020. Amounts due to other related companies of *€1,721,802* (2017: *€1,721,802*) bear an interest rate of 5% per annum and are repayable by 1 March 2020. Amounts due to parent company of *€Nil* (2017: *€1,225,000*) bear an interest rate of 4.5% per annum and are payable by 31 March 2018.

The remaining amounts owed are interest free and payable on demand and all financial liabilities listed above are unsecured.

27. Bank overdraft and loans

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Bank overdraft	**31,571**	88,134	**-**	32,341
Bank loans	**50,634,345**	50,198,132	**-**	-
	50,665,916	50,286,266	**-**	32,341
Less: amount due for settlement within 12 months (shown under current liabilities)	**(3,486,774)**	(3,231,409)	**-**	(32,341)
Amount due for settlement after 12 months	**47,179,142**	47,054,857	**-**	-

Bank overdraft and loans are payable as follows:

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
On demand or within one year	**3,486,774**	3,231,409	**-**	32,341
Between one and five years	**27,883,639**	24,962,309	**-**	-
After five years	**19,295,503**	22,092,548	**-**	-
	50,665,916	50,286,266	**-**	32,341

The group's bank loans facilities bear effective interest at the rates of 3.25% to 4.85% p.a. The group's bank borrowings facilities amount to *€50,665,916* (2017: *€50,286,266)*. The facilities are secured by special hypothecs over the investment property of the group, a general hypothec over the assets of the group, guarantees provided by other related party and a pledge over rent receivable from the company's tenants.

During 2018, the subsidiaries located in Latvia and Romania received bank loan facilities amounting to *€7,453,838* and *€1,115,047* respectively. The maturity of these loans ranges from 2 to 7 years and the interest rates range from 2.95% to 3.8%. On 14 August 2018, one of the subsidiaries in Malta made an early repayment of *€5,000,000* on its bank facilities.

28. Debt securities in issue

	Group and Holding company	
	2018	2017
	€	€
4.5% unsecured bonds redeemable 2025	**36,479,574**	36,402,947

In October 2015, the company issued 370,000 4.5% unsecured bonds of a nominal value of *€100* per bond. The bonds are redeemable at their nominal value in 2025.

Interest on the bonds is due and payable annually on 16 October of each year.

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bond is net of direct issue costs of *€766,271* which are being amortised over the life of the bond. The market value of debt securities on the last trading day before the statement of financial position date was *€38,332,000* (2017: *€38,665,000*).

The bond is guaranteed by Harbour (APM) Investments Limited and Hili Estates Limited. The full terms of the guarantee are disclosed in the bond prospectus.

29. Deferred taxation

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive inome	Closing balance
	€	€	€	€
2018				
Arising on:				
Investment property	(3,438,657)	(42,602)	-	**(3,481,259)**
Other temporary differences	-	(30,134)	-	**(30,134)**
	(3,438,657)	(72,736)	-	**(3,511,393)**
Arising on:				
Unutilised tax losses	77,928	(69,433)	-	**8,495**
Unabsorbed losses arising as a result of merger	295,687	-	-	**295,687**
Investment property	-	47,741	-	**47,741**
Other temporary differences	-	9,286	-	**9,286**
	373,615	(12,406)	-	**361,209**
	(3,065,042)	(85,142)	-	**(3,150,184)**

29. Deferred taxation (continued)

	Opening balance €	Recognised in profit or loss €	Recognised in other comprehensive inome €	Closing balance €
2017				
Arising on:				
Investment property	(5,096,331)	1,655,267	2,407	**(3,438,657)**
Temporary difference on trade receivables	10,257	(10,275)	-	-
Unutilised tax losses	(135,645)	(135,645)	-	-
	(4,950,411)	1,509,347	2,407	**(3,438,657)**
Arising on:				
Unutilised tax losses	9,919	67,314	695	**77,928**
Unabsorbed losses arising as a result of merger	295,687	-	-	**295,687**
Investment property	70,490	(70,490)	-	-
	376,096	(3,176)	695	**373,615**
	(4,574,315)	1,506,171	3,102	**(3,065,042)**

Due to changes in the tax law in Latvia, enacted as at 31 December 2017, a different tax treatment started to be applied. Based on the new corporate income tax law, corporate income tax will only be incurred on distributed profits, at the rate of 20%. Corporate income tax rate on undistributed profits is nil. Accordingly, deferred taxes, arising on temporary differences, recognised in the previous years, were reversed in the profit or loss.

29. Deferred taxation (continued)

Holding Company

	Opening balance €	Recognised in profit or loss €	Closing balance €
2018			
Arising on:			
Unutilised tax losses	11,613	(2,668)	**8,945**
Other temporary differences	-	5,101	**5,101**
Arising on:			
Investment property	(190,000)	(50,000)	**(240,000)**
	(178,387)	(47,567)	**(225,954)**

	Opening balance €	Recognised in profit or loss €	Closing balance €
2017			
Arising on:			
Unutilised tax losses	9,918	1,695	**11,613**
Arising on:			
Investment property	-	(190,000)	**(190,000)**
	9,918	(188,305)	**(178,387)**

30. Share capital

	2018 Authorised €	**2018** Issued and called up €
60,000,000 ordinary shares of €1 each	**60,000,000**	**40,400,000**

	2017 Authorised €	2017 Issued and called up €
29,000,000 ordinary shares of €1 each	29,000,000	28,600,000

30. Share capital (continued)

On 19 May 2015:

(i) The authorised share capital of the company was increased by 100,000 ordinary shares of *€1* each.
(ii) The issued share capital of the company was increased by 100,000 ordinary shares of *€1* each, which were issued at a premium of *€39* per share and was satisfied by the capitalisation of shareholders' loans amounting to *€4,000,000*.
(iii) Subsequent to the above also on 19 May 2015, an amount of *€3,900,000* equal to the share premium was applied to the company's loss offset reserve account for the purpose of offsetting any losses that may be incurred by the company from time to time. Consequently the remaining balance in the said loss offset reserve amounted to *€748,427*.

On 27 August 2015:

(i) The authorised share capital of the company was increased by 6,500,000 ordinary shares of *€1* each.
(ii) The issued share capital of the company was increased by 6,500,000 ordinary shares of *€1* each which was also affected via a capitalisation of shareholders' loans.

There were no changes in the share capital of the company during the year ending 31 December 2016.

On 14 November 2017, *€7,000,000* of the amounts due in relation to the purchase of shares in Harbour (APM) Investments Limited, were assigned to the parent company and subsequently capitalised in the share capital of the company on 28 November 2017 as follows:

(i) The authorised share capital of the company was increased by 7,400,000 ordinary shares of *€1* each.
(ii) The issued share capital of the company was increased by 7,000,000 ordinary shares of *€1* each.

On 5 March 2018:
(i) The authorised share capital of the company was increased by 3,000,000 ordinary shares of *€1* each.
(ii) The issued share capital of the company was increased by 3,000,000 ordinary shares of *€1* each through a cash contribution of *€3,000,000*.

On 8 August 2018:
(i) The authorised share capital of the company was increased by 28,000,000 ordinary shares of *€1* each.
(ii) The issued share capital of the company was increased by 8,800,000 ordinary shares of *€1* each through a cash contribution of *€8,800,000*.

31. Significant non-cash transactions

In 2017, *€7,000,000* of the amounts due in relation to the purchase of shares in Harbour (APM) Investments Limited, were assigned to the parent company and subsequently converted into 7,000,000 ordinary shares of *€1* each.

These transactions did not involve the movement of cash and cash equivalents.

32. Cash and cash equivalents

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

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash at bank and on hand	**2,916,690**	852,715	**17,759**	21,014
Over-drawn bank balance	**(31,571)**	(88,134)	**-**	(32,341)
Cash and cash equivalents in the statement of cash flows	**2,885,119**	764,581	**17,759**	(11,327)

Cash at bank is interest free. The interest rate incurred on the bank overdraft is of 2.5% per annum above the three-month euribor. Restricted cash which is not available for use by the group as at 31 December 2018, amounted to *€831,178 (2017: €353,700)*. This is restricted by the bank in Romania for the duration of the loan of 20 years and is equivalent to the monthly bank loan principal and interest payment due together with amounts deposited as a fund for future refurbishments on the property. Accordingly, this is classified under non-current assets.

33. Reconciliation of liabilities arising from financing activities

The table below details changes in the group's liabilities arising from financing activities, including, where applicable, both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities:

Group

	Opening Balance €	Cash €	Accrued unpaid interest €	Closing Balance €
Bank loans	(50,198,132)	(436,213)	-	**(50,634,345)**
Loans from related parties	(3,450,352)	(2,398,558)	(86,090)	**(5,935,000)**
Total liabilities from financing activities	(53,648,484)	(2,834,771)	(86,090)	**(56,569,345)**

Holding Company

	Opening Balance €	Cash €	Non-Cash €	Closing Balance €
Loans from related parties	(11,892,809)	6,355,000	(1,047,958)	**(6,585,767)**

34. Acquisition of subsidiaries

On 12 December 2018, the group acquired 100% interest and control in SIA Tirdzniecibas centrs Dole, a company registered in Latvia, which owns and operates a retail commercial outlet in Riga and derives rental income therefrom. The purpose of the acquisition was to expand the portfolio of investment property held by the group. The consolidated financial statements include the results of the subsidiary from the date of acquisition.

34. Acquisition of subsidiaries (continued)

The fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition by the Group were:

	SIA Tirdzniecibas Centrs Dole €
Investment property (note 19)	10,400,000
Property, plant and equipment (note 16)	60,473
Loans and receivables	1,266,989
Trade and other receivables	65,010
Trade and other payables	(298,748)
Bank loans	(4,758,507)
Cash and cash equivalents	1,393,961
Deferred tax liability (note 29)	-
Net assets acquired	8,129,178
Consideration paid	(6,536,214)
Gain on bargain purchase (note 8)	**1,592,964**

The gross contractual amounts of trade and other receivables amount to *€111,266*. Acquisition related expenses amounting to *€103,861* have been excluded from the consideration transferred and have been recognised as part of the investment losses in note 9. Revenue and profit generated from the date of acquisition until 31 December 2018 amount to *€45,103* and *€14,598* respectively. If SIA Tirdzniecibas Centrs Dole was acquired on 1 January 2018, the revenue and profit generated would amount to *€986,008* and *€258,111* respectively.

On 4 May 2017, Hili Premier Estates Romania SRL acquired a business comprising of investment property with occupancy rate of 100%, in exchange for a cash consideration of *€30,575,000*. The purpose of this acquisition was for the group to expand its portfolio to a new territory by leasing the investment property, acquired as part of this business, to third parties.

The fair value of the investment property acquired at the date of acquisition by Hili Premier Estates Romania SRL was equivalent to the consideration paid of *€30,575,000*. Consequently, no goodwill has arisen at the time of the acquisition of the business. There were no other identifiable assets or liabilities assumed at the date of acquisition.

Acquisition-related costs, amounting to *€408,534* have been excluded from the consideration transferred and have been recognised as part of the investment losses in note 9. Revenue and profit recognised from the date of acquisition until 31 December 2017 amounted to *€1,590,722* and *€573,692* respectively. If the business was acquired on 1 January 2017, additional group revenue and group profit would amount to *€828,501* and *€249,436* respectively.

35. Events after the reporting period

On 18 January 2019 one of the subsidiary undertakings concluded the acquisition of a piece of land in Riga, Latvia for a consideration of *€2,300,000*.

On 11 March 2019, one of the subsidiary undertakings in Malta, obtained a new bank loan facility of *€3,000,000*, the proceeds of which were utilised by the group to settle amounts due to the parent company.

The reconstruction of the retail centre at Dzelzavas Street in Riga, Lavtia, commenced during 2018, was completed and the centre officially opened in March 2019.

36. Related party transactions

Hili Properties p.l.c. is the parent company of the undertakings highlighted in note 20. The parent company of Hili Properties p.l.c. is Hili Ventures Limited which is incorporated in Malta having its registered office at Nineteen Twenty Three, Valletta Road, Marsa. Hili Ventures Limited produces consolidated financial statements available for public use. Copies of the consolidated financial statements may be downloaded from the website of both Hili Properties p.l.c. and Hili Ventures Limited. The directors consider the ultimate controlling party to be Carmelo Hili, who during 2016 became the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

The company and the group entered into related party transactions with the parent company and other related parties. The company also entered into related party transactions with its subsidiaries. Other related parties consist of related parties other than the parent, entities with joint control or significant influence over the company, subsidiaries, associates, joint ventures in which the company is a venture and key management personnel of the company or its parent.

36. Related party transactions (continued)

During the year under review, the company and the group entered into transactions with related parties set out below.

Group

	2018 Related party activity €	2018 Total activity €	2018 %	2017 Related party activity €	2017 Total activity €	2017 %
Revenue:						
Related party transactions with:						
Parent company	**168,468**			124,806		
Other related companies	**2,053,685**			1,773,065		
	2,222,153	**7,286,471**	**30**	1,897,871	6,337,456	30
Administrative expenses:						
Related party transactions with:						
Parent company	**364,712**			360,000		
Other related companies	**37,231**			6,167		
	401,943	**1,930,117**	**21**	366,167	1,702,894	22
Other operating income:						
Related party transactions with:						
Parent company	**4,341**			3,991		
Other related companies	**31,748**			32,098		
	36,089	**392,586**	**9**	36,089	162,447	22
Investment income:						
Related party transactions with:						
Parent company	**-**	**3,679,507**	**-**	106,534	5,959,436	2
Finance income:						
Related party transactions with:						
Other related companies	**33,400**	**33,404**	**100**	59,181	59,184	100
Finance costs:						
Related party transactions with:						
Parent company	**22,665**			24,124		
Other related companies	**86,090**			86,091		
	108,755	**2,955,944**	**4**	110,215	3,717,146	3

36. Related party transactions (continued)

Holding Company

	2018 Related party activity €	2018 Total activity €	2018 %	2017 Related party activity €	2017 Total activity €	2017 %
Revenue:						
Related party transactions with:						
Subsidiaries	**366,004**	**467,716**	**78**	366,004	387,253	95
Administrative expenses:						
Related party transactions with:						
Subsidiaries	**195,000**			-		
Parent company	**360,000**			360,000		
	555,000	**1,043,778**	**53**	360,000	785,779	46
Investment income:						
Related party transactions with:						
Subsidiaries	**1,319,031**			1,591,173		
Parent company	**-**			65,849		
	1,319,031	**1,819,031**	**73**	1,657,022	1,948,603	85
Finance income:						
Related party transactions with:						
Subsidiaries	**492,267**			**374,038**		
Other related companies	**18,413**			**32,625**		
	510,680	**510,680**	**100**	**406,663**	**406,663**	100
Finance costs:						
Related party transactions with:						
Parent company	**16,462**			**20,000**		
Subsidiaries	**307,186**			**234,868**		
Other related companies	**86,090**			**86,091**		
	409,738	**2,151,365**	**19**	**340,959**	**2,151,365**	**16**

Other related party transactions are disclosed in notes 24, 25 and 26.

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties and there are no provisions for doubtful debts in respect of outstanding amounts due by related parties.

36. Related party transactions (continued)

Key management personnel compensation is disclosed in note 13 and recharges of staff costs to related parties are disclosed in note 14. Contingent liabilities are disclosed in note 37.

During the year the holding company surrendered tax losses to subsidiary and related companies for a consideration amounting to *Eur254,554* (2017 – *Eur86,158*).

The amounts due to/from other related parties at year-end are disclosed in notes 22, 24, 25 and 26. No guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

37. Contingent liabilities

The group and the company had no contingent liabilities as at 31 December 2017 and 2018.

38. Capital commitments

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Investment property	**649,858**	6,635,339	**40,982**	40,982
Contracted for	**(649,858)**	(4,978,293)	**(40,982)**	(40,982)
Authorised but not contracted for	-	1,657,046	-	-

39. Operating leases – the Group as lessee

The rental expense incurred under operating leases during the year amounted to *€42,581* (2017: *€31,868*).

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	€	€
Within one year	**30,000**	30,000
Between one and five years	**32,500**	62,500
	62,500	92,500

39. Operating leases – the Group as lessee (continued)

Operating lease payments represent rentals payable by the group for land. Leases are negotiated and rentals are fixed for a term of five years. The group does not have the option to purchase the land at the expiry of the lease period. The land is being subleased to tenants and the total future minimum lease payments expected to be received under these sub-lease agreements amount to *€218,533* (2017: *€219,013*).

40. Fair values of financial assets and financial liabilities

At 31 December 2018 and 2017 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 values of the debt securities in issue are disclosed in note 28. The fair values of the other non-current financial liabilities and the non-current financial assets, other than investments in subsidiaries, are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end. The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories below have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects a market rate of interest and the credit risk of counterparties.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

40. Fair values of financial assets and financial liabilities (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company and the group determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

The following table provides an analysis of financial instruments that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value, and other than investments in subsidiaries, associates and jointly controlled entities, grouped into Levels 1 to 3.

Group

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2018					
Financial assets					
Deposit on acquisition of investment	-	**24,500,000**	-	**24,500,000**	**24,500,000**
Loans and receivables					
- receivables from related parties	-	**290,535**	**1,225,790**	**1,516,325**	**1,516,325**
Total	-	**24,790,535**	**1,225,790**	**26,016,325**	**26,016,325**
Financial liabilities at amortised cost					
- related party loans	-	**4,204,918**	**1,730,082**	**5,935,000**	**5,935,000**
- bank loans	-	**50,634,345**	-	**50,634,345**	**50,634,345**
- debt securities	**38,332,000**	-	-	**38,332,000**	**36,479,574**
Total	**38,332,000**	**54,839,263**	**1,730,082**	**94,901,345**	**93,048,919**
2017					
Financial assets					
Deposit on acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	279,898	2,322,974	2,602,872	2,602,872
Total	-	24,779,898	2,322,974	27,102,872	27,102,872
Financial liabilities at amortised cost					
- related party loans	-	1,718,770	1,731,582	3,450,352	3,450,352
- bank loans	-	50,198,132	-	50,198,132	50,198,132
- debt securities	38,665,000	-	-	38,665,000	36,402,947
Total	38,665,000	51,916,902	1,731,582	92,313,484	90,051,431

40. Fair values of financial assets and financial liabilities (continued)

Holding company

	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2018					
Financial assets					
Deposit on acquisition of investment	-	**24,500,000**	-	**24,500,000**	**24,500,000**
Loans and receivables					
- receivables from related parties	-	**7,304,564**	**13,461,617**	**20,766,181**	**20,766,181**
Total	-	**31,804,564**	**13,461,617**	**45,266,181**	**45,266,181**
Financial liabilities at amortised cost					
- related party loans	-	**1,626,735**	**4,959,032**	**6,585,767**	**6,585,767**
- debt securities	**38,332,000**	-	-	**38,332,000**	**36,479,574**
Total	**38,332,000**	**1,626,735**	**4,959,032**	**44,917,767**	**43,065,341**
2017					
Financial assets					
Deposit on acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	2,149,622	12,276,876	14,426,498	14,426,498
Total	-	26,649,622	12,276,876	38,926,498	38,926,498
Financial liabilities at amortised cost					
- related party loans	-	1,663,777	10,229,032	11,892,809	11,892,809
- debt securities	38,665,000	-	-	38,665,000	36,402,947
Total	38,665,000	1,663,777	10,229,032	50,557,809	48,295,756

41. Financial risk management

The exposures to risk and the way risks arise, together with the group's and company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development. Where applicable, any significant changes in the group's and company's exposure to financial risks or the manner in which the group and company manage and measure these risks are disclosed below.

Where possible, the group and company aim to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors.

41. Financial risk management (continued)

The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially subject the group and the company to concentrations of credit risk consist principally of loans, receivables and cash at bank.

Loans and receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. At 31 December 2018, receivables amounting to *€11,680* include *€11,430* being 60 days past due, *€250* being 90 days past due and the remaining pertain to 120 days past due. These receivables relate to one of the local entities, and no receivables were past due in the prior year.

There were no allowances of doubtful debts during 2018 and 2017. Debts fully written off during the year under review amount to *€14,683* (2016: *€3,255*).

Loans and receivables and certain trade receivables comprise amounts due from related parties. The company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider loans and receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the company.

Cash at bank is placed with reliable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies. The rating of the main bank with which the group places 38% of its cash at bank is BBB+ (2017: 60% - BBB). The company holds all its cash at bank with a different financial institution having a rating of BBB.

Management considers the credit quality of these financial assets as being acceptable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. Guarantees are disclosed in note 27 and contingent liabilities are disclosed in note 37.

41. Financial risk management (continued)

Interest rate risk

The group and the company granted and received interest-bearing loans as disclosed in notes 22, 26 and 27. The interest rates thereon and the terms of such borrowings are disclosed accordingly. Where applicable, the interest rates on cash at bank are disclosed in note 32. The group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure.

The carrying amounts of the group's and company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the notes to the financial statements.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the change in cash flows of the group's bank borrowings, net of cash at bank and on hand, at the end of the reporting period for hypothetical changes in the relevant market risk variables. The sensitivity due to changes in the relevant risk variables is set out below.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

The estimated change in cash flows for changes in market interest rates are based on an instantaneous increase or decrease of 50 basis points at the end of the reporting period, with all other variables remaining constant.

The sensitivity of the relevant risk variables is as follows:

	Group Profit or loss sensitivity	
	2018	2017
	€	€
Market interest rates – cash flow	**+/-260,270**	+/- 246,727

The sensitivity on profit or loss in respect of market interest rates is mainly attributable to bank loans.

41. Financial risk management (continued)

Liquidity risk

The group monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The group is in a net current liability position of *€7,115,108* (2017: *€4,166,913*). On 11 March 2019, the Group obtained a bank loan of *€3,000,000* which was used to repay back loans of *€3,500,000* to the parent company. Additional funds are expected to be invested by the parent in the company during the 12 months following year end.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the company can be required to pay. The analysis includes both interest and principal cash flows.

Group

	On demand or within 1 year €	2 - 5 years €	5+ years €	Total €
2018				
Non-derivative financial liabilities				
Non-interest bearing	**4,712,436**	**26,250**	**753,513**	**5,492,199**
Variable rate instruments	**3,748,044**	**27,817,408**	**20,488,630**	**52,054,082**
Fixed rate instruments	**5,573,446**	**8,396,150**	**41,648,125**	**55,617,721**
	14,033,926	**36,329,808**	**62,890,268**	**113,164,002**
2017				
Non-derivative financial liabilities				
Non-interest bearing	3,181,537	32,031	735,210	3,948,778
Variable rate instruments	4,654,350	30,383,482	26,457,560	61,495,392
Fixed rate instruments	3,266,539	8,482,240	41,648,125	53,396,904
	11,102,426	38,897,753	68,840,895	118,841,074

41. Financial risk management (continued)

Liquidity risk (continued)

Holding company

	On demand or within 1 year €	2 - 5 years €	5+ years €	Total €
2018				
Non-derivative financial liabilities				
Non-interest bearing	**2,300,471**	**-**	**-**	**2,300,471**
Fixed rate instruments	**2,088,204**	**12,441,615**	**41,648,125**	**56,177,944**
	4,388,675	**12,441,615**	**41,648,125**	**58,478,415**
2017				
Non-derivative financial liabilities				
Non-interest bearing	1,096,003	-	-	1,096,003
Fixed rate instruments	3,489,637	17,746,171	41,648,125	62,883,933
	4,585,640	17,746,171	41,648,125	63,979,936

Currency risk

Foreign currency transactions arise when the group buys or sells goods or services whose price is denominated in foreign currency, borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency or acquires or disposes of assets, or incurs or settles liabilities, denominated in foreign currency.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

The functional currency of all the subsidiaries, except the Romanian entity, was the Euro both in the current year and in the prior year. The translation of Romania entity, which has the Romanian Lei as its functional currency, is recognised in the group's other comprehensive income in accordance with the group's accounting policies.

Grant Thornton

Independent auditor's report

To the shareholders of Hili Properties p.l.c.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hili Properties p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 12 to 86, which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Our opinion is consistent with our additional report to the audit committee.

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 and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements 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. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281 The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2018 are disclosed in note 12 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. 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.

Fair value of investment properties and properties held for sale

Key audit matter

The carrying amounts of the Group's and the Company's investment properties carried at fair value as at 31 December 2018 amounts to € 113.0 million and € 4.5 million, respectively, and the carrying amount of the Group's properties held for sale also carried at fair value at the end of the reporting period amounts to € 6.5 million. Management determined the fair values through internal assessment made by the directors by reference to external independent valuations made during the period or using the discounted cash flows model where no external independent valuations were performed. The discounted cash flows model considers assumptions that are mainly based on market conditions existing at the end of the reporting period, such as the contractual rentals, expected future market rentals, growth rates, maintenance requirements and appropriate discount rates.

The fair value of investment properties and properties held for sale were significant in our audit because the amounts are material to the consolidated financial statements of the Group and financial statements of the Company and that the processes of determining the fair values involve significant judgement and estimates.

The method and assumptions used in determining the fair value of investment properties is fully described in notes 3 and 19 of the financial statements.

How the key audit matter was addressed in our audit

Our valuation specialists evaluated the suitability and appropriateness of the valuation methodology applied by management and reviewed and challenged the methodology applied and the underlying assumptions. We tested the integrity of inputs of the projected cash flows used in the valuation by examining supporting lease agreements and other relevant documents. We challenged the discount rate used in the valuation by comparing with industry data, taking into consideration comparability and market factors. We also assessed the competency and objectivity of the independent valuation experts appointed by the directors. We also communicated with management and those charged with governance and noted that they were able to provide satisfactory responses to our questions.

On the basis of our work we determined that management's assessment on the fair values of investment properties and properties held for sale are reasonable.

Other information

The directors are responsible for the other information. The other information comprises (i) the Directors, officer and other information, (ii) the Directors' report, (iii) Statement of directors' responsibilities and (iv) the Corporate governance statement 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, including the Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Act.

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

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

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

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

In terms of article 179A(4) of the Act, the scope of our audit does not include assurance on the future viability if the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Corporate Governance 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 Corporate governance statement set out on pages 8 to 11 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

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, or that returns adequate for our audit have not been received from branches not visited by us
  - the financial statements are not in agreement with the accounting records and returns
  - we have not received all the information and explanations we require for our audit
  - certain disclosurs of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- in terms of 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.

Auditor tenure

We were first appointed as auditors of the Company and the Group on 9 October 2018 and therefore represents an engagement appointment of one year.

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

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25 April 2019