HILI PROPERTIES

Hili Properties plc,
Nineteen Twenty Three,
Valletta Road,
Marsa MRS 3000 Malta

T 00356 2568 1200
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www.hiliproperties.com

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 as published by the Listing Authority.

QUOTE

The Company announces that the Audited Consolidated Financial Statements for the financial year ended 31 December 2019 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 €3,367,000 was projected in the Financial Analysis Summary (FAS) published in June 2019 and that the Company closed the Financial Year ending 31 December 2019 with a consolidated profit before tax of €6,232,628. The Company had also projected a profit after tax of €2,793,000 and the Company closed the Financial Year Ending 31 December 2019 with a consolidated profit after tax of €5,453,404.

The improvement in the reported results is primarily attributable to larger increases in the fair value of properties owned by the group, which are classified as Investment Property and Property held for Sale, than originally projected in the FAS. The increases in fair value reported in the financial statements amount to € 4,314,658 (note 8) whereas the comparable amount in the FAS was € 1,023,000. The difference of € 2,919,000 relates to higher fair values on land in Latvia (€1,418,787) and three properties in Romania which were not revalued at the time the FAS was prepared (€1,490,433).

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 2019 have been approved by its Board on 30 April 2020 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 2019 have been approved by its Board on 30 April 2020 and have been made available for viewing on the webpage referred to above.

UNQUOTE

HILI
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BY ORDER OF THE BOARD

Dr. Melanie Miceli Demajo
Company Secretary

30 April 2020

Hili Properties p.l.c.

Report & Financial Statements

31 December 2019

Contents

Hili Properties p.l.c.

Directors, officer and other information

Directors:	Richard Abdilla Castillo (Chairman) Carmelo (sive) Melo Hili (resigned 26 August 2019) Sandra Murniece Victor Tedesco (resigned 15 January 2020) David Aquilina Peter Hili (appointed 26 August 2019) 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 Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, 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.

Directors, officer and other information (continued)

	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.

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 2019.

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 *Eur6,048,803* (2018: *Eur5,316,381*). The improvement in the operating profit was attributable to the increase in revenue of *Eur1,458,655 (20%)* which was enough 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 the Baltics in December 2018, which contributed a full year of operations compared to only a few days in the previous year.

During the year under review, the group registered net investment income of *Eur3,941,529 (2018: loss of Eur869,401)*. The current year result was mainly achieved through a net increase in fair value of the group's property portfolio amounting to *Eur3,970,841.*

The group registered a profit before tax from continuing operations of *Eur6,232,628* (2018: *Eur2,543,799*). The net assets of the group at the end of 2019 amounted to *Eur57,635,190* (2018: *Eur52,241,729*).

During 2019, the company registered a profit before tax of *Eur3,544,878* (2018: loss of *Eur401,087*). In 2019, the company disposed of one of its subsidiaries registering a gain of *Eur4,752,546* as explained in note 34 to these accounts.

The net assets of the company at the end of the year amounted to *Eur41,348,095* (2018: *Eur38,974,125*).

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 *Eur6,199,237* (2018: *Eur5,429,363*), achieving a 14% growth when compared to the previous year. This growth was achieved through the full year operations of the entity acquired in 2018, together with the income generated from the properties in operation in Romania, which started generating rental income in 2019.

During the year under review the interest cover of the group was 1.6 times (2018: 1.5 times). The gearing ratio of the group is monitored on an ongoing basis. The group's gearing ratio stands at 56% compared to 62% in the previous year. The decreased gearing was attributable to the repayment of bank borrowings following the disposal of a subsidiary and investment property during the year.

Performance review (continued)

Non-financial performance

Properties occupancy was at 94% as of 31 December 2019 (2018: 97%). 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 7.8 years (2018: 8.5yrs). The decrease in occupancy and WALT in 2019 is attributable to the fact that the group disposed of Hili Properties (Swatar) Limited, which attributed to a total of 4,650 of rentable area in the previous years.

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 about 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 42 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.

Non-Financial Statement

Environmental matters

The group is committed to environmental responsibility, and all subsidiaries within the group has a role to play in living up to that commitment. Efforts are put on areas where the group can have significant impact on critical environmental issues, including climate change, natural resource conservation and waste management. The group invests in innovations that can improve our environmental footprint, besides collaborating with other organizations to raise environmental awareness and work with key suppliers to promote environmentally responsible practices in their operations.

Employee matters

The group provides opportunity, nurture talent, develop leaders and reward achievement. The group believes that a team of individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to its continuing business success. Performance evaluation systems are employed across the group, using multistage training systems to monitor individual's development, and set training requirements.

Each of the group's employees deserves to be treated with fairness, respect, and dignity, providing equal opportunity for employees and applicants. All the group's employees have the right to work in a place that is free from harassment, intimidation, or abuse, sexual or otherwise, or acts or threats of physical violence. It is committed to diversity and equal opportunities for everyone, respecting the unique attributes and perspectives of every employee, and rely on these diverse perspectives to help the group build and improve the relationships with customers and business partners. The group embraces the diversity of its employees, customers and business partners, and work hard to make sure everyone within the group feels welcome.

The group provides equal treatment and equal employment opportunity without regard to race, colour, religion, sex, age, national origin, disability, sexual orientation, gender identity or any other basis protected by law. In addition, it is committed to providing a safe and healthful working environment for its employees, requiring all employees to abide by safety rules and practices and to take the necessary precautions to protect themselves and their fellow employees. For everyone's safety, employees must immediately report accidents and unsafe practices or conditions to their immediate supervisors.

Principal risks and uncertainties (continued)

Non-Financial Statement (continued)

Respect for human rights

The group conducts its activities in a manner that respects human rights, taking the responsibility seriously to act with due diligence to avoid infringing on the human rights of others and addressing any impact on human rights if they occur. The group's commitment to respect human rights is defined in the code of business conduct, which applies to all employees of the group.

The group is committed to provide a safe work environment that fosters respect, fairness, and dignity. Group employees are trained annually on the standard of business conduct.

Anti-corruption and bribery matters

The group's employees must comply with the group Code of Conduct and Whistle-blower Policy to ensure that all employees are discouraged from any corrupt practices or bribery as well as are incentivized to report any such activities in a direct line with the responsible group supervisor, without fearing reprisals. Every employee is introduced to these policies upon employment and are mandatory to be adhered to it.

The group prohibits all forms of bribery or kickbacks as detailed in the Code of Conduct. All employees, representatives and business partners must fully comply with anti-bribery legislation. To comply with the group policy and anti-bribery laws, no employee should ever offer, directly or indirectly, any form of gift, entertainment, or anything of value to any government official or his or her representatives.

The group is committed to complying with the applicable laws in all countries where it does business. It adopts a Global Anti-Corruption Policy which sets forth its commitment to ensuring that it carries out business in an ethical manner and abides by all applicable anti-bribery and anti-corruption laws in the countries in which it operates by, among other things, prohibiting the giving or receiving of improper payments in the conduct of the business, and by discouraging such behaviour by its business partners.

Result and dividends

The result for the year ended 31 December 2019 is shown in the statement of profit or loss and other comprehensive income on page 14. The group registered a profit after tax of *Eur5,453,404* (2018: *Eur2,110,208*). The holding company registered a profit after tax of *Eur2,374,970* (2018: loss - *Eur209,357*).

Post-balance sheet events

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the company and its stakeholders. To date the company's operations have not been materially affected and the Company has confirmed to the market that the upcoming bond interest payments in 2020 will be honoured in full. The company receives updates from the Guarantor to assess the impact of the COVID-19 pandemic on its underlying investments. The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the group.

These events have had a significant impact on the economy during 2020 and given that a number of tenants may be in difficult financial circumstances, results expected to be registered during the financial year ended 31 December 2020 may be impacted with material adverse implications on the profitability, cash flows and financial position of the group. Based on the outcome of cash flow projections prepared by the Group under a pessimistic scenario, factoring significant strain on rental rates and occupancy ,the Directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. They also believe that there are no material uncertainties which may cast significant doubt about the company's ability to continue as a going concern exists as at that date.

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:

Richard Abdilla Castillo (Chairman)
Carmelo (sive) Melo Hili (resigned 26th August 2019)
Sandra Murniece
Victor Tedesco (resigned 15th January 2020)
David Aquilina
Peter Hili (appointed 26th August 2019)
Geoffrey Camilleri
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 30th April 2020 by:

Richard Abdilla Castillo *Chairman*	*Sandra Murniece* *Director*

Statement of directors' responsibilities
Year ended 31 December 2019

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:

- adopt the going concern basis unless it is inappropriate to presume that the company and the group will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for 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 2019 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.

Richard Abdilla Castillo
Chairman

Sandra Murniece
Director

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 5.97.7.

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.

The members of the board are the following :

Executive Director
Sandra Murniece

Non-Executive Directors
Peter Hili
Richard Abdilla Castillo
Geoffrey Camilleri

Independent Non-Executive Directors
David Aquilina
Laragh Cassar

Remuneration Statement

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)
Peter Hili
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, Peter Hili and Laragh Cassar conduct themselves in an independent and professional manner satisfying 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.

Audit Committee (continued)

The Audit Committee met six times during 2019. 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.

Environmental matters

The group is committed to environmental responsibility, and all subsidiaries within the group has a role to play in living up to that commitment. Efforts are put on areas where the group can have significant impact on critical environmental issues, including climate change, natural resource conservation and waste management.

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 30th April 2020 by:

Richard Abdilla Castillo
Chairman

Sandra Murniece
Director

Hili Properties p.l.c.

Statements of profit or loss and other comprehensive income
Year ended 31 December 2019

	Notes	Group 2019 Eur	Group 2018 Eur	Holding company 2019 Eur	Holding company 2018 Eur
Continuing operations					
Revenue	6	**8,745,126**	7,286,471	**199,370**	467,716
Cost of sales		**(598,153)**	(396,706)	**-**	-
Other operating income	7	**407,776**	392,586	**1,006,325**	64,584
Other operating expenses		**(339,692)**	(35,853)	**-**	-
Administrative expenses		**(2,166,255)**	(1,930,117)	**(868,921)**	(1,043,778)
Operating profit		**6,048,803**	5,316,381	**336,774**	(511,478)
Gain on disposal of subsidiary	34	**-**	-	**4,572,546**	-
Gain on bargain purchase	35	**-**	1,592,964	**-**	-
Investment income	8	**4,314,658**	2,086,543	**-**	1,819,031
Investment losses	9	**(373,129)**	(2,955,944)	**-**	(67,955)
Net investment income/ (loss)		**3,941,529**	(869,401)	**-**	1,751,076
Finance income	10	**192,526**	33,404	**756,132**	510,680
Finance costs	11	**(3,950,230)**	(3,529,548)	**(2,120,574)**	(2,151,365)
Profit/ (loss) before tax	12	**6,232,628**	2,543,799	**3,544,878**	(401,087)
Income tax expense	15	**(779,224)**	(433,591)	**(1,170,908)**	191,730
Profit / (loss) for the year from continuing operations		**5,453,404**	2,110,208	**2,373,970**	(209,357)
Other comprehensive income/ (expense)					
Exchange differences on translation of foreign operations		**-**	(27,242)	**-**	-
Total comprehensive income/ (expense) for the year		**5,453,404**	2,082,966	**2,373,970**	(209,357)
Profit attributable to:					
Owners of the company		**5,246,861**	2,016,302		
Non-controlling interests		**206,543**	93,906		
		5,453,404	2,110,208		
Total comprehensive income attributable to:					
Owners of the company		**5,246,861**	1,989,060		
Non-controlling interests		**206,543**	93,906		
		5,453,404	2,082,966		

Hili Properties p.l.c.

Statements of financial position

31 December 2019

		Group		Holding company	
	Notes	**2019**	2018	**2019**	2018
		Eur	Eur	**Eur**	Eur
ASSETS AND LIABILITIES					
Non-current assets					
Intangible assets	*16*	**16,443**	16,702	**15,665**	15,665
Property, plant and equipment	*17*	**194,147**	316,492	**910**	2,929
Investment property	*19*	**109,903,894**	113,016,023	**4,559,890**	4,534,856
Property held for sale	*23*	**3,774,413**	6,477,700	**-**	-
Investment in subsidiaries	*20*	**-**	-	**29,977,245**	32,550,729
Deposit on acquisition of investments	*21*	**24,500,000**	26,800,000	**24,500,000**	24,500,000
Loans and receivables	*22*	**1,231,333**	1,225,790	**18,401,920**	13,461,617
Trade and other receivables	*24*	**116,735**	107,623	**-**	-
Deferred tax assets	*30*	**295,687**	347,163	**-**	-
Right-of-use asset	*18*	**30,609**	-	**-**	
Restricted cash	*32*	**1,191,606**	831,178	**-**	-
		141,254,867	149,138,671	**77,455,630**	75,065,796
Current assets					
Loans and receivables	*22*	**140,084**	290,535	**5,628,618**	7,304,564
Trade and other receivables	*24*	**1,715,878**	1,724,269	**430,544**	154,700
Current tax assets		**225,967**	671,422	**221,617**	591,755
Cash in bank and on hand	*32*	**7,141,099**	2,916,690	**4,926,420**	17,759
		9,223,028	5,602,916	**11,207,199**	8,068,778
Total assets		**150,477,895**	154,741,587	**88,662,829**	83,134,574
Current liabilities					
Trade and other payables	*25*	**3,344,554**	4,353,860	**1,989,293**	869,154
Other financial liabilities	*26*	**551,576**	4,204,918	**3,636,645**	1,626,735
Lease liability	*28*	**28,773**	-	**-**	-
Bank loans and overdrafts	*27*	**3,486,726**	3,486,774	**-**	**-**
Current tax liability		**694,690**	780,095	**177,184**	**-**
		8,106,319	12,825,647	**5,803,122**	2,495,889
Non-current liabilities					
Other financial liabilities	*26*	**3,380,183**	1,730,082	**4,721,802**	4,959,032
Bank loans	*27*	**41,866,379**	47,179,142	**-**	-
Other payables	*25*	**398,017**	788,066	**-**	
Debt securities in issue	*29*	**36,556,201**	36,479,574	**36,556,201**	36,479,574
Lease liability	*28*	**2,405**	-	**-**	-
Deferred tax liabilities	*30*	**2,533,202**	3,497,347	**233,609**	225,954
		84,736,387	89,674,211	**41,511,612**	41,664,560
Total liabilities		**92,842,705**	102,499,858	**47,314,734**	44,160,449
Net assets		**57,635,190**	52,241,729	**41,348,095**	**38,974,125**

Statements of financial position (continued)

31 December 2019

		2019 Eur	2018 Eur	2019 Eur	2018 Eur
EQUITY					
Share capital	31	**40,400,000**	40,400,000	**40,400,000**	40,400,000
Legal reserve		**144,938**	103,920	**-**	
Loss offset reserve		**748,427**	748,427	**748,427**	748,427
Foreign exchange reserve		**(255,097)**	(255,097)	**-**	
Retained earnings		**16,082,568**	10,936,668	**199,668**	(2,174,302)
Equity attributable to owners of the company		**57,120,836**	51,933,918	**41,348,095**	38,974,125
Non-controlling interests		**514,354**	307,811	**-**	-
Total equity		**57,635,190**	52,241,729	**41,348,095**	38,974,125

These financial statements were approved by the board of directors, authorised for issue on 30th April 2020 and signed on its behalf by:

Richard Abdilla Castillo
Chairman

Sandra Murniece
Director

Hili Properties p.l.c.

Statement of changes in equity
Year ended 31 December 2019

Group

Group	Share capital Eur	Loss offset reserve Eur	Legal reserve Eur	Foreign exchange reserve Eur	Retained Earnings Eur	Attributable to owners of the parent Eur	Non-controlling interest Eur	Total Eur
Balance at 1 January 2018	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 share 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 1 January 2019	**40,400,000**	**748,427**	**103,920**	**(255,097)**	**10,936,668**	**51,933,918**	**307,811**	**52,241,729**
Profit for the year	-	-	-	-	**5,246,861**	**5,246,861**	206,543	**5,453,404**
Other comprehensive expense	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	**41,018**	-	**(41,018)**	-	-	-
Price adjustment in relation to prior year acquisition	-	-	-	-	**(59,943)**	**(59,943)**	-	**(59,943)**
Balance at 31 December 2019	**40,400,000**	**748,427**	**144,938**	**(255,097)**	**16,082,568**	**57,120,836**	**514,354**	**57,635,190**

Hili Properties p.l.c.

Statement of changes in equity
Year ended 31 December 2019

Holding company

	Share capital Eur	Loss offset reserve Eur	Accumulated (losses)/ profits Eur	Total Eur
Balance at 1 January 2018	28,600,000	748,427	(1,964,945)	**27,383,482**
Increase in share capital	11,800,000	-	-	**11,800,000**
Total comprehensive income for the year	-	-	(209,357)	**(209,357)**
Balance at 1 January 2018	40,400,000	748,427	(2,174,302)	**38,974,125**
Total comprehensive income for the year	-	-	2,373,970	**2,373,970**
Balance at 31 December 2019	**40,400,000**	**748,427**	**199,668**	**41,348,095**

Hili Properties p.l.c.

Statements of cash flows

Year ended 31 December 2019

		Group		Holding company	
	Notes	**2019**	2018	**2019**	2018
		Eur	Eur	**Eur**	Eur
Cashflows from operating activities					
Profit/(loss) before tax		**6,232,628**	2,543,799	**3,544,878**	(401,087)
Adjustments for :					
Unrealised exchange losses		**85,680**	39,426	**-**	-
Bad debts written off		**16,947**	14,683	**-**	-
Depreciation of property, plant and equipment		**122,183**	112,982	**3,701**	6,077
Depreciation on right-of-use-asset		**28,255**	-	**-**	-
Amortisation of bond issue costs		**76,627**	76,627	**76,627**	76,627
Amortisation of intangible assets		**459**	429	**-**	-
Interest expense		**3,787,923**	3,378,501	**2,043,947**	2,074,738
Interest income		**(192,526)**	(33,404)	**(756,132)**	(510,680)
Increase in fair value of investment property		**(4,314,658)**	(2,058,678)	**-**	(500,000)
Decrease in fair value of investment property		**343,817**	2,232,728	**-**	-
Other fair value movements		**192,526**	-	**-**	-
Derivative financial instruments		**(204,322)**	-	**-**	-
Loss on disposal of IP		**-**	551,400	**-**	**-**
Gain on disposal of subsidiary		**-**	-	**(4,572,546)**	-
Gain on bargain purchase		**-**	(1,592,964)	**-**	-
		6,175,538	5,265,529	**340,475**	745,675
Movement in trade and other receivables		**(108,344)**	399,370	**(275,844)**	192,922
Movement in trade and other payables		**(1,342,793)**	235,701	**1,110,918**	(276,110)
Cashflows from operations		**4,724,401**	5,900,600	**1,175,549**	662,487
Income tax paid		**(1,060,604)**	(334,052)	**(488,244)**	(3,187)
Interest paid		**(3,458,011)**	(3,447,104)	**(1,665,000)**	(1,710,191)
Net cash flows from(used in) operating activities		**205,786**	2,119,444	**(977,695)**	(1,050,891)

Hili Properties p.l.c.

Statements of cash flows (continued)

Year ended 31 December 2019

		Group		Holding company	
		2019	2018	**2019**	2018
		Eur	Eur	**Eur**	Eur
Cashflows from investing activities					
Proceeds from the sale of investment property		**4,045,000**	1,001,000	**-**	-
Additions to investment property		**(3,671,293)**	(5,590,228)	**(25,034)**	(54,678)
Proceeds from sale of subsidiary		**7,146,031**	-	**7,146,031**	-
Acquisition of business		**-**	(5,142,253)	**-**	-
Security deposit received		**390,049**	19,534	**-**	-
Deposit on acquisition of investment		**-**	(2,300,000)	**-**	-
Purchase of intangible assets		**(200)**	-	**-**	-
Purchase of property, plant and equipment		**(1,682)**	(45,557)	**(1,682)**	(7,692)
Interest received		**-**	33,404	**756,132**	16,178
Settelment on loans granted to related parties		**-**	-	**-**	-
Advances from (paid to) related parties		**144,908**	1,266,989	**(3,264,357)**	(6,681,591)
Net cash flows from(used in) investing activities		**8,052,813**	(10,757,111)	**4,611,090**	**(6,727,783)**
Cashflows from financing activities					
Proceeds from the issue of share capital		**-**	11,800,000	**-**	11,800,000
Proceeds from banks		**4,597,831**	8,568,885	**-**	-
Repayment of bank loans		**(5,535,039)**	(12,907,911)	**-**	(32,341)
Transfer of restricted cash		**(360,428)**	(477,478)	**-**	
Proceeds from related parties		**(2,704,983)**	4,729,169	**1,275,266**	1,277,760
Payments to third parties		**-**	(1,015,352)	**-**	(5,270,000)
Net cash flows from financing activities		**(4,002,619)**	10,697,313	**1,275,266**	7,775,419
Net movement		**4,255,981**	2,059,646	**4,908,661**	(3,255)
Foreign exchange on cash and cash equivalents		**-**	(27,242)	**-**	-
Cash and cash equivalents at the beginning of the year		**2,885,119**	852,715	17,759	21,014
Cash and cash equivalents at the end of the year	*32*	**7,141,099**	2,885,119	**4,926,420**	17,759

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 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 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.

In 2019, the group has adopted new guidance for the recognition of leases (see note 4 below). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at 1 January 2019 being recognised as a single adjustment to retained earnings. Accordingly, the group is not required to present a third statement of financial position as at that date.

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the company and its stakeholders. To date the company’s operations have not been materially affected and the Company has confirmed to the market that the upcoming bond interest payments in 2020 will be honoured in full. The company receives updates from the Guarantor to assess the impact of the COVID-19 pandemic on its underlying investments. The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company’s current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the group.

1. Company information and basis of preparation

These events have had a significant impact on the economy during 2020 and given that a number of tenants may be in difficult financial circumstances, results expected to be registered during the financial year ended 31 December 2020 may be impacted with material adverse implications on the profitability, cash flows and financial position of the group. Based on the outcome of cash flow projections prepared by the Group under a pessimistic scenario, factoring significant strain on rental rates and occupancy ,the Directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. They also believe that there are no material uncertainties which may cast significant doubt about the company's ability to continue as a going concern exists as at that date.

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

Basis of consolidation

Acquisition of subsidiaries

The group's consolidated financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment losses from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.
The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

2. Significant accounting policies (continued)

Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Investment 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 reporting 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, being the fair value at the acquisition date for intangible assets acquired in a business combination. 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 or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

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 group'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 group'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 at 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.

Leased assets – The Group as a Lessee

(i) Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the group assesses whether the contract meets three key evaluations which are whether:
• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group;
• the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
• the group has the right to direct the use of the identified asset throughout the period of use. The group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. Significant accounting policies (continued)

Leased assets – The Group as a Lessee (continued)

Accounting policy applicable from 1 January 2019 (continued)

(ii) Measurement and recognition of leases

At lease commencement date, the group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed).

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the statement of financial position, the group has opted to disclose right-of-use assets and lease liabilities as separate financial statement line items.

(iii) Accounting policy applicable before 1 January 2019

Operating leases

Operating leases are those leases where a significant portion of the risk and rewards of ownership are effectively retained by the lessor

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term, where the lessee does not bear substantially all of the risks and rewards of ownership associated with the asset. Associated costs, such as maintenance and insurance, are expensed as incurred.

2. Significant accounting policies (continued)

Leased assets – The Group as a Lessee (continued)

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the assets value and whether the group obtains ownership of the asset at the end of the lease term.

Finance leases are classified at the lease's inception at the fair value of the leased asset or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance lease charges, are included in other short-term and long-term trade and other payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group did not have any assets under finance lease.

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 in bank and on hand, 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) 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.

(vi) Classification and measurement of financial liabilities

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

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 except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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, 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.

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.

2. Significant accounting policies (continued)

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

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.

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

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

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.

Administrative expenses

Administrative 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)

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.

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.

2. Significant accounting policies (continued)

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 company and the consolidated financial statements of the group are presented in the 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.

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.

2. Significant accounting policies (continued)

Cash in bank and on hand

Cash in bank and on hand 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.

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.

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.

Fair value of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit and loss.

During 2019, external market valuations were obtained for a selection of seven properties, covering 46% of the property portfolio held by the group. These external valuations pertained to six properties in the Baltics and one in Romania and were based using the discounted cash flow technique using the applicable discount rate and market yields as discussed below. At the end of the year the directors re-assessed the fair values of these properties and were of the opinion that their fair value had not altered significantly since the external valuations were performed in 2019. For the remaining properties, internal assessments were performed, based on the discounted cash flow technique using the applicable discount rate and market yields as disclosed in note 19.

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 2019. Movements in fair value are disclosed in notes 8, 9 and 19.

Investment properties are classified as level 3 of the fair value hierarchy.

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

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.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 2).

4. New or revised Standards or Interpretations

4.1 New standards adopted as at 1 January 2019

(i) IFRS 16 – Leases

The group has adopted IFRS 16 'Leases' as at 1 January 2019 using the Standard's modified retrospective approach.

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid

4. New or revised Standards or Interpretations (continued)

4.1 New Standards adopted as at 1 January 2019 (continued)

or accrued lease payments that existed at the date of transition. As a result, no equity adjustment has been recognised on initial application of IFRS 16. Comparative information is not restated.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The group did not have any leases previously classified as finance leases.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.9%.

The group has opted to show present right-of-use assets separately. There were therefore no changes to the group's property, plant and equipment and a further reconciliation is not required. The net present values of lease liabilities at the end of the reporting period are shown separately within current and non-current liabilities.

The group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Since the group did not have any leases classified as finance leases under IAS 17, a reconciliation of financial statement line items from IAS 17 to IFRS 16 is not applicable.

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the audited financial statements at 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	Group
	2019
	Eur
Total operating lease commitments disclosed at 31 December 2018	62,500
Recognition exemptions	-
Operating leases before discounting	62,500
Discounted using the incremental borrowing rate	(3,636)
Total lease liabilities recognised under IFRS 16 as at 1 January 2019	**58,864**

4. New or revised Standards or Interpretations (continued)

4.1 New Standards adopted as at 1 January 2019 (continued)

The group did not have any leases of low value assets, leases with remaining term of less than 12 months, variable lease payments, finance lease obligations at the end of the previous reporting period or any other adjustments that would be required to the amount reported in total operating lease commitments at 31 December 2018 in determining the lease liability recognised in accordance with IFRS 16 at 1 January 2019.

4.2 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. These new Standards, amendments and interpretations are not expected to have a material impact on the group's consolidated financial statements.

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.

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.

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. 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

	2019	2018
	Eur	Eur
Total profit for reportable segments	**6,313,187**	10,737,510
Elimination of inter segment profits	**(1,992,900)**	(6,933,751)
Unallocated amounts:		
Revenue	**110,112**	366,004
Administrative expenses	**(1,014,822)**	(1,123,264)
Investment Income	**4,572,546**	1,319,031
Finance costs	**(1,741,627)**	(1,741,627)
Other unallocated	**(13,869)**	(80,104)
	6,232,628	2,543,799

Included in revenue arising from rental of investment property in Romania are revenues of *Eur1,296,276* (2018: *Eur1,240,242*) which arose from the group's largest customer. Another customer, located in Latvia, contributed to 20% of the group's revenue for 2019 amounting to *Eur1,275,699* (2018: *Eur1,107,135*). No other single customer contributed to 10% or more of the group's revenue for both 2019 and 2018.

5. Segment information (continued)

Assets

	2019 Eur	2018 Eur
Total assets for reportable segments	**128,449,304**	137,833,649
Eliminination of inter segment receivables	**(43,140,662)**	(40,029,824)
Unallocated amounts:		
Non-current assets held for sale	**29,059,890**	29,034,856
Other financial assets	**16,575**	18,596
Loans and receivables	**30,418,537**	19,810,814
Trade and other receivables	**521,505**	7,459,264
Current tax asset	**221,617**	591,755
Cash and cash equivalents	**4,926,420**	17,759
Other unallocated amounts	**4,710**	4,719
	150,477,895	154,741,587

Liabilities

	2019 Eur	2018 Eur
Total liabilities for reportable segments	**75,304,752**	84,187,979
Elimination of inter segment payables	**(44,380,124)**	33,621,208
Unallocated amounts:		
Trade and other payables	**1,978,152**	922,139
Other financial liabilities	**22,972,929**	20,474,071
Current tax liabilities	**177,184**	-
Bank borrowings	**-**	-
Debt securities in issue	**36,556,201**	(36,479,574)
Deferred tax liabilities	**233,610**	(225,965)
Other unallocated amounts	**-**	-
	92,842,705	102,499,858

5. Segment information (continued)

2019	Malta 2019 Eur	Latvia 2019 Eur	Estonia 2019 Eur	Lithuania 2019 Eur	Romania 2019 Eur	Total 2019 Eur	Unallocated 2019 Eur	Adjustments 2019 Eur	Consolidated 2019 Eur
Revenue	2,117,657	3,501,034	109,996	274,010	2,653,171	8,655,868	89,258	-	**8,745,126**
Unrealised exchange losses	-	-	-	-	85,680	85,680	-	-	**85,680**
Profit before tax	601,491	2,367,295	84,668	170,610	3,089,123	6,313,187	3,012,534	(3,093,094)	**6,232,626**
Depreciation and amortisation	(123,028)	(22,433)	-	-	(816)	(146,277)	(3,701)	-	**(149,978)**
Investment income	131,602	628,973	-	-	1,936,296	2,696,871	4,572,546	(4,572,546)	**2,696,871**
Investment losses	(1,330,142)	(49,312)	-	-	-	(1,379,454)	-	1,006,325	**(373,129)**
Finance income	275,034	248,038	7,425	7,111	202,545	740,154	934,605	(1,482,233)	**192,526**
Finance costs	(324,080)	(1,121,293)	-	(32,018)	(1,269,581)	(2,746,973)	(2,685,490)	1,482,233	**(3,950,230)**
Segment assets	33,080,958	49,793,238	2,034,138	4,646,135	38,894,834	128,449,304	65,169,254	(43,140,662)	**150,477,895**
Investment property	23,474,025	39,887,190	1,700,000	4,400,000	35,882,787	105,344,003	4,559,890	-	**109,903,893**
Additions to Investment property	105,086	936,621	-	-	2,604,552	3,646,259	25,034	-	**3,671,293**

5. Segment information (continued)

2019	Malta 2019 Eur	Latvia 2019 Eur	Estonia 2019 Eur	Lithuania 2019 Eur	Romania 2019 Eur	Total 2019 Eur	Unallocated 2019 Eur	Eliminations and Adjustments 2019 Eur	Consolidated 2019 Eur
Additions to deposit on acquisition of investm	-	-	-	-	-	-	-	-	**-**
Segment liabilities	12,837,503	32,763,152	929,306	2,766,420	26,008,371	75,304,752	61,918,076	(44,380,124)	**92,842,705**
Income tax (expense)/credit	708,652	(38,293)	-	(25,591)	(253,084)	391,684	(1,170,908)	-	**(779,224)**

5. Segment information (continued)

2018	Malta 2018 Eur	Latvia 2018 Eur	Estonia 2018 Eur	Lithuania 2018 Eur	Romania 2018 Eur	Total 2018 Eur	Unallocated 2018 Eur	Eliminations and Adjustments 2018 Eur	Consolidated 2018 Eur
Revenue	2,045,089	2,378,735	109,996	266,029	2,384,910	7,184,759	101,712		**7,286,471**
Unrealised exchange exchange losses					(39,426)	(39,426)			**(39,426)**
Profit before tax	3,541,089	7,375,535	115,596	395,003	(689,734)	10,737,489	1,122,368	(9,316,077)	**2,543,779**
Depreciation and amortisation	(100,851)	(30,699)	-	-	-	(131,550)	-	18,694	**(112,856)**
Investment income	1,649,228	6,974,403	36,052	208,779	27,865	8,896,327	3,815,031	(9,031,851)	**3,679,507**
Investment losses	-	(1,009,127)	-	-	(1,775,000)	(2,784,127)	(67,956)	(103,861)	**(2,955,944)**
Finance income	313,657	165,112	5,664	7,068		491,501	663,951	(1,122,047)	**33,405**
Finance costs	(381,002)	(634,391)	-	(36,624)	(863,074)	(1,915,091)	(2,736,505)	1,122,047	**(3,529,549)**
Segment assets	42,929,562	54,046,471	1,945,275	4,655,375	34,256,964	137,833,649	56,937,763	(40,029,824)	**154,741,587**
Investment property	35,250,001	35,789,236	1,700,000	4,400,000	31,341,931	108,481,168	4,534,856	-	**113,016,024**
Additions to Investment property	249,152	14,495,861	-	-	2,207,797	16,952,810	-	-	**16,952,810**

5. **Segment information (continued)**

2018	Malta 2018 Eur	Latvia 2018 Eur	Estonia 2018 Eur	Lithuania 2018 Eur	Romania 2018 Eur	Total 2018 Eur	Unallocated 2018 Eur	Eliminations and Adjustments 2018 Eur	Consolidated 2018 Eur
Acquisition to deposit on acquisition of investment		2,300,000	-	-		2,300,000	-	-	**2,300,000**
Segment liabilities	16,850,248	39,285,587	925,111	2,920,680	24,206,353	84,187,979	(15,309,329)	33,621,208	**102,499,858**
Income tax (expense)/credit	(233,215)	(38,806)	(174,000)	(59,250)	(19,670)	(524,941)	(191,730)	283,080	**(433,591)**

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	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Rental income	**8,745,126**	7,286,471	**89,258**	101,712
Management fees	**-**	-	**110,112**	366,004
	8,745,126	7,286,471	**199,370**	467,716

7. Other operating income

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Other operating income	**407,776**	392,586	**-**	64,584
Income from write off of liabilities	**-**		**1,006,325**	-
	407,776	392,586	**1,006,325**	64,584

8. Investment income

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Increase in fair value of investment properties	**2,895,871**	2,058,678	**-**	500,000
Increase in fair value of property held for sale	**1,418,787**	-	**-**	-
Dividend income from equity instruments	**-**	-	**-**	1,319,031
Unrealised exchange gains	**-**	27,865	**-**	-
	4,314,658	2,086,543	**-**	1,819,031

9. Investment losses

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Decrease in fair value of investment properties	**343,817**	2,232,728	-	-
Loss on disposal of investment property	**23,700**	551,400	-	-
Acquisition related costs	**-**	171,816	-	67,955
Loss on disposal of assets	**5,612**	-	-	-
	373,129	2,955,944	**-**	67,955
		-		

10. Finance income

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Interest on bank balances	**-**	4	**-**	-
Interest receivable on loan to other related company	**-**	33,400	-	18,413
Interest receivable on amounts due from subsidiaries	**-**	-	**756,132**	492,267
Fair value movements during the year	**192,526**	-	**-**	-
	192,526	33,404	**756,132**	510,680

11. Finance costs

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Interest on bank overdrafts and loans	**1,774,803**	1,604,587	**-**	-
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	**87,909**	86,090	**86,091**	86,090
Amounts due to subsidiaries	**-**	-	**275,818**	307,186
Amounts due to parent	**17,631**	22,665	**17,038**	16,462
Processing fees	**-**	35,154	**-**	-
Interest expense for leasing arrangements	**2,315**		**-**	-
Amortisation of bond issue expenses	**76,627**	76,627	**76,627**	76,627
Loss on derivative financial instrument	**240,265**	-	**-**	-
Foreign exchange differences	**85,680**	39,426	**-**	-
	3,950,230	3,529,548	**2,120,574**	2,151,365

12. Profit/(loss) before tax

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Depreciation and amortisation	**122,183**	113,411	**3,701**	6,077
Depreciation on right of use assets	**28,255**	-	**-**	-
Management fees charged	**360,000**	360,000	**360,000**	360,000
Legal and professional fees	**425,706**	381,308	**56,320**	102,267
Unrealised exchange losses	**85,680**	39,426	**-**	-

12. Profit/(loss) before tax (continued)

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 *Eur21,000* (2018: *Eur20,580*) and the remuneration payable to the other auditors in respect of the audits of undertakings included in the consolidated financial statements amounted to *Eur62,626* (2018: *Eur53,480*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur7,601* (2018: *Eur2,305*) and *nil* (2018: *Eur1,180*) respectively.

Holding company

The remuneration payable to the company's auditors for the audit of the company's financial statements amounted to *Eur3,000* (2018: *Eur2,750*). Other fees payable to the company's auditors for tax services amounted to *Eur3,010* (2018: *Eur575).*

13. Key management personnel compensation

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Directors' compensation:				
Short term benefits				
Fees	**38,226**	39,445	**30,418**	31,005
Remuneration	**138,063**	108,658	**-**	-
	176,289	148,103	**30,418**	31,005
Other key management personnel compensation				
Salaries and social security contributions	**43,898**	66,069	**43,898**	66,069
	43,898	66,069	**43,898**	66,069
Total directors' fees and other key management personnel	**220,187**	**214,172**	**74,316**	97,074

13. Key management personnel compensation (continued)

The group and the company incurred management fees in relation to the provision of key management personnel services amounting to *Eur360,000* (2018: *Eur360,000*). These management fees were paid to the parent company.

14. Staff costs and employee information

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Staff costs:				
Wages and salaries	**472,342**	508,188	**246,558**	294,044
Social security costs	**31,528**	73,661	**7,342**	18,705
Recharged by subsidiary	-	-	**(31,672)**	(114,325)
Recharged to other related companies	**(9,145)**	(114,325)	**-**	-
	494,725	467,524	**222,228**	198,424

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

	Group		Holding company	
	2019	2018	**2019**	2018
	Number	Number	Number	Number
Administration	**8**	10	**3**	4
Operations	**5**	8	**3**	8
	13	18	**6**	12

15. Income tax expense

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Current tax expense	**1,193,936**	489,956	**665,839**	380,804
Consideration paid				
for tax losses received	**497,419**	-	**497,419**	-
Consideration received		-		
for tax losses surrendered	**-**	(141,507)	**-**	(141,507)
Deferred tax (credit)/ expense	**(912,131)**	85,142	**7,650**	(47,567)
	779,224	433,591	**1,170,908**	191,730

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

15. Income tax expense (continued)

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Profit before tax from continuing operations	**4,686,837**	2,543,799	**3,544,878**	(401,087)
Tax at the applicable rate of	**1,640,393**	890,330	**1,240,707**	(140,380)
Tax effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	**(143,309)**	(216,665)	**-**	-
Disallowable expenses	**666,648**	671,731	**403,318**	334,346
Income not chargeable to tax	**(664,191)**	(557,357)	**-**	-
Amortisation of grant income	**(1,319)**	(1,295)	**-**	-
Maintenance allowance	**(63,264)**	(66,858)	**-**	-
Income tax at 15%	**(168,620)**	(126,567)	**(17,852)**	(20,342)
Net movement in value of investment property not			**-**	
subject to tax	**(824,545)**	(432,640)	**-**	(175,000)
Depreciation on ineligible assets	**-**	2,127	**-**	2,127
Untaxed dividend	**-**	-	**-**	(240,047)
Withholding tax on dividend	**-**	174,000	**-**	-
Deferred tax on revaluation of investment property	**(1,182,078)**	161,439	**-**	50,000
Tax deductions on investment property	**-**	(90,825)	**-**	-
Other differences	**(80,882)**	26,171	**(455,265)**	(2,434)
Capital gains on disposal of shares	**1,600,391**	-	**-**	-
	779,224	433,591	**1,170,908**	(191,730)

16. Intangible assets

Group	Eur
Cost	
At 1 January 2019	17,810
Additions	200
At 31 December 2019	18,010
Accumulated amortisation	
At 1 January 2019	1,108
Provison for the year	459
At 31 December 2019	1,567
Carrying amount	
At 31 December 2018	16,702
At 31 December 2019	**16,443**

Holding company	Computer software Eur
Cost	
At 1 January 2019 and 2018	15,665
Carrying amount	
At 1 January 2019 and 2018	**15,665**

As at 31 December 2019, all intangible assets owned by the group and the company have been put into use.

17. Property, plant and equipment

Group	Furniture, fittings and other equipment	Improvements to leashold land	Total
	Eur	Eur	Eur
Cost			
At 1 January 2018	396,086	246,542	642,628
Acquired on business combination	397,957		397,957
Additions	2,974	14,197	17,171
Disposals	(15,924)	-	(15,924)
At 1 January 2019	781,093	260,739	1,041,832
Additions	1,682	-	1,682
Disposals	(15,960)	(12,629)	(28,588)
At 31 December 2019	766,815	248,110	1,014,926
Accumulated depreciation			
At 1 January 2018	220,658	98,616	319,274
Acquired on business combination	347,404	-	347,404
Provision for the year	59,842	53,140	112,982
Disposals	(54,320)	-	(54,320)
At 1 January 2019	573,584	151,756	725,340
Provision for the year	68,574	53,150	121,724
Disposals	(20,179)	(6,107)	(26,286)
	621,979	198,799	820,779
Carrying amount			
At 31 December 2018	207,509	108,983	316,492
At 31 December 2019	**144,836**	**49,311**	**194,147**

17. Property, plant and equipment (continued)

Holding company	**Furniture, fittings and other equipment**
	Eur
Cost	
At 1 January 2018	11,094
Additions	7,692
At 1 January 2019	18,786
Additions	1,682
At 31 December 2019	**20,468**
Accumulated Depreciation	
At 1 January 2018	9,780
Provision for the period	6,077
At 1 January 2019	15,857
Provision for the period	3,701
At 31 December 2019	19,558
Carrying amount	
At 31 December 2018	2,929
At 31 December 2019	**910**

18. Right-of-use asset

The following asset has been recognised as right-of-use asset for the group

	Land
	Eur
Gross carying amount	
Adjustment on transition to IFRS on 1 January 2019	58,864
Additions	-
At 31 December 2019	58,864
Depreciation	
Provision for the year	28,255
At 31 December 2019	28,255
Carrying amount	
At 1 January 2019	58,864
At 31 Decmber 2019	30,609

The depreciation charge on right-of-use asset was included in administrative expenses.

The group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above table. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 28. Information about the transition to IFRS 16 and the respective accounting policy for the measurement and recognition of leases are disclosed in note 4.1.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.5%. The transition date was 1 January 2019. At this date, the group has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. All additions to right-of-use assets during the current reporting period have been recognised using the same rate of 4.5% as there were no changes in the such rate on the date when the new leases came into effect. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

19. Investment property

Group

	Retail/ Commercial Properties Eur	Office Properties Eur	Other Properties Eur	Group Total Eur
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	10,400,000	-	-	10,400,000
Transferred to held for sale	(6,477,700)	-		(6,477,700)
At 31 December 2018	**69,308,837**	**41,252,508**	**2,454,678**	**113,016,023**
Additions	3,497,166	118,497	55,630	3,671,293
Disposals	(152,000)	(11,688,847)	-	(11,840,847)
Increase in fair value (note 8)	2,714,390	181,481	-	2,895,871
Decrease in fair value (note 9)	(20,000)	(323,817)	-	(343,817)
Transferred from property				-
held for sale	2,561,000	-	(55,630)	2,505,370
At 31 December 2019	**77,909,393**	**29,539,822**	**2,454,678**	**109,903,894**

Holding company

	Office Properties	Other Properties	Total
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 1 January 2019	2,134,856	2,400,000	4,534,856
Additions	23,800	1,234	25,034
At 31 December 2019	**2,158,656**	**2,401,234**	**4,559,890**

19. Investment property (continued)

The fair value of investment properties at 31 December 2019 amounting to *Eur109,903,843* has been arrived partly through internal assessments made and partly through external valuations performed during the year.

During 2019, external market valuations were obtained for a selection of seven properties, covering 46% of the property portfolio held by the group. These external valuations pertained to 6 properties in the Baltics and one in Romania and were based using the discounted cash flow technique using the applicable discount rate and market yields as discussed below. At the reporting date the directors re-assessed the fair values of these properties and were of the opinion that their fair value had not altered significantly since the external valuations were performed in 2019.

Where external 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 cashflow technique using the applicable discount rate and market yields as discussed below.

In estimating the fair value of the property, the highest and best use of the property is its current use. Investment properties are classified as Level 3.

All the properties located in the Baltics amounting to *Eur45,987,192* (2018: *Eur41,889,234*) and 75% of the investment property located in Romania amounting to *Eur26,714,470* (2019: *Eur23,535,099*) 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 41. 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.

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 %**
2019	4.2-7.02	70-114
2018	4-5.2	70-114

19. Investment property (continued)

Valuation techniques and inputs(continued)

	Range of significant unobservable inputs	
	Discount rate	Growth rate
	%	%
2019- Malta	**7**	**0.10-2.76**
2019- Romania	**7.88-9.28**	**1.72-2.03**
2019- Baltics	**7.48-9.91**	**1.72-3.00**
2018- Malta	7	0.77-3.54
2018- Romania	7.75-8.2	1.80-2
2018- Baltics	7.08-8.28	1.03-2.5

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.

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 *Eur8,745,126* (2018: *Eur7,286,471)*.

Direct operating expenses amounting to *Eur598,153* (2018: *Eur396,706*) were incurred by the group and the company respectively in relation to the investment property.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term.

19. Investment property (continued)

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	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Within one year	**7,648,715**	6,207,411	**64,053**	64,053
Between one and five years	**25,972,925**	19,369,270	**280,947**	345,000
After 5 years	**35,081,450**	30,144,331	**-**	-
	68,703,090	55,721,012	**345,000**	409,053

20. Investment in subsidiaries

	Eur
At 1 January 2019 and 2018	32,550,729
Disposal of subsidiary	(2,573,484)
At 31 December 2019	**29,977,245**

During the year, the company disposed of its 100% of the investment in Hili Properties (Swatar) Limited for a consideration of *Eur 7,146,031*. A gain on disposal of subsidiary amounting to *Eur 4,572,546* was recognised within Investment income in the statement of profit or loss (see Note 8).

20. Investment in subsidiaries (continued)

Details of the company's subsidiaries at 31 December 2019 and 2018 are as follows:

	Proportion of ownership interest %
Hili Estates Holdings Company Limited	95 (2018: 95)
Hili Estates Limited	95 (2018: 95)
Premier Estates Limited	95 (2018: 95)
Hili Properties (Swatar) Limited	nil (2018: 100)

The registered office and principle place of business of all the above group undertakings is Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta.

Details of the subsidiaries are as follows:

Hili Properties BV	100 (2018:100)

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 (2018:100)

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 (2018:100)

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 (2018:100)
Apex Investments SIA	100 (2018:100)

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

Premier Estates Lietuva UAB	100 (2018:100)

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

Tirdzniecibas Centrs Dole SIA	100 (2018: N/A)

The registered office and principal place of business of the above group undertaking is Rīga, Maskavas iela 357 – 2, Latvia.

20. Investment in subsidiaries (continued)

	Proportion of ownership interest %
Hili Premier Estates Romania SRL	100 (2018: 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	80 (2018: 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.

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:

2019	Equity	Profit/(loss) for the year
	Eur	Eur
Hili Estates Holdings Company Limited	7,382,874	(4,391)
Hili Properties (Swatar) Limited	-	279,855
Hili Properties BV	14,614,189	(532,345)

2018	Equity	Profit/(loss) for the year
	Eur	Eur
Hili Estates Holdings Company Limited	7,387,265	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 *Eur25,000,000*. 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, *Eur12,000,000* of the remaining balance was settled, *Eur5,000,000* of which was settled in cash and *Eur7,000,000* was settled pursuant to an assignment of debt to Hili Ventures Limited and subsequently capitalised in the share capital of the company.

21. Deposit on acquisition of investment(continued)

Both the company and the vendor have the unilateral and unconditional right to rescind the agreement, in which case the deposit already paid of *Eur24,500,000* 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 *Eur2,300,000* to acquire a plot of land measuring 10,680 m2 located in Sporta Street, Riga, Latvia. The transaction was concluded on 18 January 2019, where the ownership of the land was registered in the subsidiary's name.

In 2019 this land was classified as property held for sale, where the value was uplifted to *Eur3,774,413* as disclosed in note 23.

22. Loans and receivables

Group

	Loans to other related companies Eur
2019	
Amortised cost	**1,371,417**
At 31 December 2019	
Less: amounts expected to be	
settled within 12 months (shown under current assets)	**(140,084)**
Amounts expected to be	
settled after 12 months (shown under non-current assets)	**1,231,333**
2018	
Amortised cost	
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

Amounts due from other related companies amounting to *Eur1,231,333* (2018: *Eur1,225,790*) have no fixed date for repayment and are not expected to be realised within 12 months after the end of the reporting period.
The remaining amounts of loans and receivables are interest free.

22. Loans and receivables (continued)

Holding company

	Loans to subsidiaries Eur	Loans to other related parties Eur	Total Eur
2019			
Amortised cost			
At 31 December 2019	**22,708,265**	**1,322,273**	**24,030,538**
Less: amounts expected to be settled within 12 months (shown under current assets)	**(5,537,438)**	**(91,180)**	**(5,628,618)**
Amount expected to be settled after 12 months	**17,170,827**	**1,231,093**	**18,401,920**
2018			
Amortised cost			
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)
Amount expected to be settled after 12 months	12,235,827	1,225,790	13,461,617

The above loans and receivables are unsecured.

Included in loans to subsidiaries is an amount of *Eur 17,170,827* (2018: *Eur12,235,827*) which carries interest at the rate of 2.95% to 5% per annum. The remaining loans and receivables are interest free.

Loans to related parties includes an amount of *Eur1,231,333* (2018: *Eur1,225,790*) which has no fixed date of repayment and is 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.

23. Property held for sale

	Group
	Eur
Fair Value	
At 1 January 2018	237,000
Disposals	(237,000)
Transfers from investment property	6,477,700
At 1 January 2019	6,477,700
Disposals	(3,916,700)
Fair value uplifts (note 8)	1,418,787
Net movements from investment property	(205,374)
At 31 December, 2019	**3,774,413**

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	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Trade receivables	**543,542**	184,826	**4,666**	358
Other receivables	**346,007**	364,644	**238,429**	16,803
Amounts due from other related parties	**287,269**	270,966	**-**	-
Amounts due from parent	**64,846**	298,479	**-**	-
Prepayments and accrued income	**590,948**	605,354	**187,449**	137,539
	1,832,613	1,724,269	**430,544**	154,700
Less:				
amounts due for settlement after more than 12 months	**(116,735)**	(107,623)	**-**	-
	1,715,878	1,616,646	**430,544**	**154,700**

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

25. Trade and other payables

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Trade payables	**922,588**	1,054,384	**44,231**	72,224
Amounts due to other related companies	**406,883**	396,715	**406,883**	86,869
Amounts due to group companies	**-**	-	**574,007**	-
Amounts due to ultimate parent company	**129,499**	-	**129,499**	-
Other payables	**794,322**	1,453,418	**212,461**	213,258
Accruals and deferred income	**1,489,279**	2,237,409	**622,212**	496,803
	3,742,571	5,141,926	**1,989,293**	869,154
Less: amount due for settlement within 12 months (shown under current liabilities)	**(3,344,554)**	(4,353,860)	**(1,989,293)**	(869,154)
Amount due for settlement after 12 months	**398,017**	788,066	**-**	-

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	Derivative financial instrument	Total
	Eur	Eur	Eur	Eur
As at December 2019	**1,699,706**	**2,027,731**	**204,322**	**3,931,758**
Less:amounts expected to be settled within 12 months (shown under current liabilities)	**(497,419)**	**(54,157)**	**-**	**(551,576)**
Amounts expected to be settled after 12 months (shown under current liabilities)	**1,202,287**	**1,973,574**	**204,322**	**3,380,183**
As at 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 current liabilities)	-	1,730,082	-	1,730,082

Loan from other related companies of *Eur2.027,731* (2018: *Eur2,174,520*) and amounts due to parent company of *Eur1,699,706* (2018: *Eur3,760,481*) bear an interest rate of 5% per annum and 4.5% per annum, respectively.

Included in loan from other related companies is an amount of *Eur1,721,802* (2018: *Eur1,731,582)* that carries interest at the rate of 5% per annum and is repayable in full by 31st December 2022. The remaining related party loans are interest free.

From the amounts payable to the parent company of *Eur1,699,706* (2018: *Eur3,760,481*) amounts of *Eur1,202,287* are payable by 31 December 2024. All the remaining amounts are interest free and payable on demand.

All financial liabilities listed above are unsecured.

26. Other financial liabilities (continued)

Derivative financial instruments of *Eur 204,322 (*2018 – *Eur – nil)*comprise an interest rate swap whereby one of the subsidiaries of the group had entered into on 22 June 2017 a contract to swap the floating rate on bank borrowings (note 27) to a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The about of *Eur 204 322 (*2018 – *Eur – nil)* is classified with non- current liabilities.

The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to *Eur 18,194,000* and the swap matures on the 21 June 2022. At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 0.14% (2018- 0.522%). The floating rate is EURIBOR3M (2018- EURIBOR3M). The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

Holding company

	Loans from subsidiaries	Loan from parent	Loan from other related companies	Total
	Eur	Eur	Eur	Eur
As at 31 December 2019	6,089,226	497,419	1,771,802	**8,358,447**
Less: amounts expected to be settled within 12 months (shown under current liabilities)	(3,089,226)	(497,419)	(50,000)	**(3,636,645)**
Amount expected to be settled after 12 months	**3,000,000**	**-**	**1,721,802**	**4,721,802**
As 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)**
Amount expected to be settled after 12 months	**3,237,230**	**-**	**1,721,802**	**4,959,032**

26. Other financial liabilities (continued)

Loans from subsidiaries bear interest at the rate of 3.5% to 5% per annum. *Eur3,089,226* (2018: *Eur1,284,153*) are repayable on demand, whereas *Eur3,000,000* (2018: *Eur3,237,230*) is repayable in full by 31st December 2021.

Amounts due to other related companies of *Eur1,721,802* (2018: *Eur1,721,802*) bear an interest rate of 5% per annum. The maturity of this loan was originally in 2019 but renewed in March 2020 to be repaid by December 2022.

Amounts due to parent company of *Eur Nil* (2017: *Eur1,225,000*) bear an interest rate of 4.5% per annum.

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	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Bank overdrafts	**-**	31,571	**-**	-
Bank loans	**45,353,105**	50,634,345	**-**	-
	45,353,105	50,665,916	**-**	-
Less: amount due for settlement within 12 months (shown under current liabilities)	**(3,486,726)**	(3,486,774)	**-**	-
Amount due for settlement after 12 months	**41,866,379**	47,179,142	**-**	-

27. Bank overdraft and loans (continued)

Bank overdraft and loans are payable as follows:

	Group		Holding company	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
On demand				
or within one year	**3,673,326**	3,486,774	**-**	-
Between one			**-**	-
and five years	**26,189,269**	27,883,639		
After five years	**15,490,509**	19,295,503	**-**	-
	45,353,105	50,665,916	**-**	-

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 *Eur45,353,105* (2018: *Eur50,665,916)*. 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 2019, the subsidiaries located in Romania received bank loan facilities amounting to *Eur2,102,080*. The maturity of this loan is 7 years and the interest rate thereon is of 3.2%. On 11 March 2019, the Group obtained a bank loan of *Eur3,000,000* which was used to repay back loans of *Eur3,500,000* to the parent company.

28. Lease Liability

Lease liabilities are presented in the statement of financial position as follows:

	Group
	2019
	Eur
Current	
Lease Liability	28,733
Non-current	
Lease Liability	2,405

28. Lease Liability(continued)

The group has leases for its land used as car park facilities to one of it's investment property located in Malta. The group does not have any other short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets.

Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of group sales) are excluded from the initial measurement of the lease liability and asset. The group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 18). The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

	Not later than one year	Later than one year but not later than five years	later than five years	Total
	Eur	Eur	Eur	Eur
31 December 2019				
Lease payments	30,000	2,500	-	32,500
Finance charges	(1,227)	(95)	-	(1,322)
	28,773	2,405	-	31,178

29. Debt securities in issue

	Group and Holding company	
	2019	2018
	Eur	Eur
4.5% unsecured bonds redeemable 2025	**36,556,201**	36,479,574

In October 2015, the company issued 370,000 4.5% unsecured bonds of a nominal value of *Eur100* 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 *Eur766,271* 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 *Eur38,850,000* (2018: *Eur38,332,000*).

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.

30. Deferred taxation

Group	Opening Balance	Recognised in profit or loss	Closing balance
	Eur	Eur	Eur
2019			
Arising on:			
Investment property	(3,481,259)	921,568	(2,559,691)
Other temporary diffrences	(16,088)	42,577	26,489
	(3,497,347)	964,145	(2,533,202)
Arising on:			
Unutilised tax losses	8,495	-	8,495
Unabsorbed losses arising			-
as a result of merger	290,927	-	290,927
Investment property	47,741	-	47,741
Other temporary differences	-	(51,476)	(51,476)
	347,163	(51,476)	295,687

	Opening Balance	Recognised in profit or loss	Closing balance
	Eur	Eur	Eur
2018			
Arising on:			
Investment property	(3,438,657)	(42,602)	(3,481,259)
Other temporary diffrences	(16,088)	-	(16,088)
	(3,454,745)	(42,602)	(3,497,347)
Arising on:			
Unutilised tax losses	77,928	(69,433)	8,495
Unabsorbed losses arising			-
as a result of merger	290,927	-	290,927
Investment property	-	47,741	47,741
Other temporary differences	(9,286)	9,286	-
	359,569	57,027	347,163

30. Deferred taxation (continued)

Holding Company

	Opening Balance Eur	Recognised in profit Eur	Closing balance Eur
2019			
Arising on:			
Unutlised tax losses	8,945	(8,945)	-
Other temporary diffrences	5,101	1,295	6,391
Arising on:			
Investment property	(240,000)	-	(240,000)
	(225,954)	(7,650)	(233,609)
2018			
Arising on:			
Unutlised tax losses	11,613	(2,668)	8,945
Other temporary diffrences	-	5,101	5,101
Arising on:			
Investment property	(190,000)	(50,000)	(240,000)
	(178,387)	(47,567)	(225,954)

31. Share capital

	2019 and 2018 Authorised *Eur*	Issued and called up *Eur*
60,000,000 ordinary shares of *Eur*1 each	**60,000,000**	**40,400,000**

On 19 May 2015:

(i) The authorised share capital of the company was increased by 100,000 ordinary shares of *Eur1* each.

(ii) The issued share capital of the company was increased by 100,000 ordinary shares of *Eur1* each, which were issued at a premium of *Eur39* per share and was satisfied by the capitalisation of shareholders' loans amounting to *Eur4,000,000*.

(iii) Subsequent to the above also on 19 May 2015, an amount of *Eur3,900,000* 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 *Eur748,427*.

31. Share capital (continued)

On 27 August 2015:

(i) The authorised share capital of the company was increased by 6,500,000 ordinary shares of *Eur1* each.
(ii) The issued share capital of the company was increased by 6,500,000 ordinary shares of *Eur1* 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, *Eur7,000,000* 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 *Eur1* each.
(ii) The issued share capital of the company was increased by 7,000,000 ordinary shares of *Eur1* each.

On 5 March 2018:
(i) The authorised share capital of the company was increased by 3,000,000 ordinary shares of *Eur1* each.
(ii) The issued share capital of the company was increased by 3,000,000 ordinary shares of *Eur1* each through a cash contribution of *Eur3,000,000.*

On 8 August 2018:
(i) The authorised share capital of the company was increased by 28,000,000 ordinary shares of *Eur1* each.
(ii) The issued share capital of the company was increased by 8,800,000 ordinary shares of *Eur1* each through a cash contribution of *Eur8,800,000.*

There were no changes in the share capital of the company during the year ending 31 December 2019.

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	
	2019	2018	**2019**	2018
	Eur	Eur	**Eur**	Eur
Cash at bank and on hand	**7,141,099**	2,916,690	**4,926,420**	17,759
Overdrawn bank balances	**-**	(31,571)	**-**	-
Cash and cash equivalents in in the statements of cash flows	**7,141,099**	2,885,119	**4,926,420**	17,759

Cash at bank is interest free. The interest rate incurred on the bank overdraft in the previous year was of 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 2019, amounted to *Eur1,191,606 (2018: Eur831,178).* 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 Eur	Cash Eur	Non-Cash Eur	Accrued unpaid interest Eur	Closing Balance Eur
Bank loans	50,634,345	(937,212)	(4,344,028)	-	45,353,105
Loans from related parties	5,935,000	(1,917,151)	-	(86,091)	3,931,758
	56,569,345	**(2,854,363)**	**(4,344,028)**	**(86,091)**	**49,284,863**

33. Reconciliation of liabilities arising from financing activities (continued)

Holding Company

	Opening Balance Eur	Cash Eur	Non-Cash Eur	Accrued unpaid interest Eur	Closing Balance Eur
Loans from related parties	(3,332,297)	11,690,744	-	-	8,358,447

34. Disposal of Subsidiary

On the 20 December 2019, the Group disposed of 100% interest in Hili Properties (Swatar) Limited. An analysis of assets and liabilities over which control was lost is as follows:

	2019 Eur
Investment property (note 19)	11,700,000
Trade and other receivables	87,770
Cash and cash equivalents	115,826
Trade and other payables	(293,358)
Taxation payable	(88,608)
Bank loans	(4,375,599)
Net assets disposed of	7,146,031
Consideration receivable	7,146,031
Gain/loss on disposal	-

The company made a gain of *Eur4,572,546* from the sale of shares in the subsidiary

35. Acquisition of subsidiary

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.

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 *Eur*
Investment property (note 19)	10,400,000
Property, plant and equipment (note 17)	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
Net assets acquired	8,129,178
Consideration paid	(6,536,214)
Gain on bargain purchase	**1,592,964**

The gross contractual amounts of trade and other receivables amount to *Eur111,266*. Acquisition related expenses amounting to *Eur103,861* 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 2019 amount to *Eur45,103* and *Eur14,598* respectively. If SIA Tirdzniecibas Centrs Dole was acquired on 1 January 2018, the revenue and profit generated would amount to *Eur986,008* and *Eur258,111* 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 *Eur30,575,000*. 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 *Eur30,575,000*. 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.

35. Acquisition of subsidiary(continued)

Acquisition-related costs, amounting to *Eur408,534* 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 *Eur1,590,722* and *Eur573,692* respectively. If the business was acquired on 1 January 2017, additional group revenue and group profit would amount to *Eur828,501* and *Eur249,436* respectively.

36. Events after the reporting period

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the company and its stakeholders. To date the company's operations have not been materially affected and the Company has confirmed to the market that the upcoming bond interest payments in 2020 will be honoured in full. The company receives updates from the Guarantor to assess the impact of the COVID-19 pandemic on its underlying investments. The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

In view of the developments pertaining to the COVID-19 pandemic that occurred after the end of the reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic may have on the profitability, liquidity and going concern of the group.

These events have had a significant impact on the economy during 2020 and given that a number of tenants may be in difficult financial circumstances, results expected to be registered during the financial year ended 31 December 2020 may be impacted with material adverse implications on the profitability, cash flows and financial position of the group. Based on the outcome of cash flow projections prepared by the Group under a pessimistic scenario, factoring significant strain on rental rates and occupancy ,the Directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. They also believe that there are no material uncertainties which may cast significant doubt about the company's ability to continue as a going concern exists as at that date.

37. 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 MRS 3000, Malta. 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 venture and key management personnel of the company or its parent.

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

37. Related party transactions (continued)

Group

	2019			2018		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
2019						
Revenue:						
Related party transactions with:						
Parent company	**316,763**			168,468		
Other related parties	**2,408,158**			2,053,685		
	2,724,921	**8,745,126**	**31%**	2,222,153	7,286,471	30%
Administrative expenses:						
Related party transactions with:						
Parent company	**378,000**			364,712		
Other related parties	**49,938**			37,231		
	427,938	**2,166,258**	**20%**	401,943	1,930,117	21%
Other operating income						
Related party transactions with:						
Parent company	**3,769**			4,341		
Subsidiaries	**36,089**			31,748		
	39,858	**407,776**	**9%**	36,089	392,586	8%
Finance income:						
Related party transactions with:						
Subsidiaries						
Other related parties						
	-	**192,526**	**0%**	33,400	33,400	100%
Finance costs:						
Related party transactions with:						
Parent company	**17,038**			22,665		
Other related parties	**87,909**			86,090		
	104,947	**3,950,230**	**3%**	108,755	2,955,944	4%

37. Related party transactions (continued)

Holding Company

	2019			2018		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
2019						
Revenue:						
Related party transactions with:						
Other related parties						
	110,112	**199,370**	**55%**	366,044	467,716	78%
Administrative expenses:						
Related party transactions with:						
Subsidiaries	**-**	**-**		195,000		
Parent company	**360,000**	**868,921**		360,000		
	360,000	**868,921**	**41%**	555,000	1,043,778	53%
Finance income:						
Related party transactions with:						
Subsidiaries	**-**	**-**		492,267		
Other related parties	**756,132**	**756,132**		18,413		
	756,132	**756,132**	**100%**	510,680	510,680	100%
Finance costs:						
Related party transactions with:						
Parent company	**17,038**			16,492		
Subsidiaries	**275,818**			307,186		
Other related parties	**86,091**			86,090		
	378,947	**2,120,574**	**18%**	409,768	2,151,365	19%

37. Related party transactions (continued)

Other related party transactions are disclosed in notes 22, 24, 25 and 26.

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

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 38.

In the current year, tax losses were surrendered to the holding company by the parent company to the amount of *Eur497,419*.

During 2018 the holding company surrendered tax losses to subsidiary and related companies for a consideration amounting to *Eur254,554*.

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.

38. Contingent liabilities

The group and the company had no contingent liabilities as at 31 December 2019 and 2018.

39. Capital commitments

	Group		**Holding company**	
	2019 Eur	2018 Eur	**2019 Eur**	2018 Eur
Investment property	**-**	649,858	**-**	40,982
Contracted for	**-**	(649,858)	**-**	(40,982)
Authorised by not contracted for	**-**	-	**-**	-

40. Operating leases – the Group as lessee

The rental expense incurred under operating leases during the year amounted to nil (2018: *Eur42,581*).

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

	Group	
	2019	2018
	Eur	Eur
Within one year	**-**	30,000
Between one and five years	**-**	32,500
	-	62,500

No commitments are presented for the year ended 31 December 2019 due to the adoption of IFRS 16 (see note 4).

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 *Eur218,533* (2018: *Eur218,533*).

41. Fair values of financial assets and financial liabilities

At 31 December 2019 and 2018 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 29. 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:

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

- 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.

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**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**
2019					
Financial assets					
Deposit on the acquisition of investment	**-**	**24,500,000**		**24,500,000**	**24,500,000**
Loans and receivables					
- receivables from related parties	**-**	**140,084**	**1,231,333**	**1,371,417**	**1,371,417**
At 31 December 2019	**-**	**24,640,084**	**1,231,333**	**25,871,417**	**25,871,417**
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	**-**	**551,576**	**3,380,183**	**3,931,758**	**3,931,758**
- Bank borrowings	**-**	**45,353,105**	**-**	**45,353,105**	**45,353,105**
- Debt securities	**38,850,000**	**-**	**-**	**38,850,000**	**36,556,201**
At 31 December 2019	**38,850,000**	**45,904,681**	**3,380,183**	**88,134,863**	**85,841,064**

	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**
2018					
Financial assets					
Deposit on the acquisition of investment	-	26,800,000	-	26,800,000	26,800,000
Loans and receivables	-		-	-	-
receivables from related parties		290,535	1,225,790	1,516,325	1,516,325
At 31 December 2018	-	27,090,535	1,225,790	28,316,325	28,316,325
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	-	4,204,918	1,730,082	5,935,000	5,935,000
- Bank borrowings	-	50,634,345	-	50,634,345	50,634,345
- Debt securities	38,332,000	-	-	38,332,000	36,479,574
At 31 December 2018	38,332,000	54,839,263	1,730,082	94,901,345	93,048,919

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

Holding company	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2019					
Financial assets					
Deposit on the acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	5,628,618	18,401,920	24,030,538	24,030,538
At 31 December 2019	-	30,128,618	18,401,920	48,530,538	48,530,538
Financial liabilities					
Financial liabilities at amortised cost					
- other financial liabilities	-	3,636,645	4,721,802	8,358,447	8,358,447
- debt securities	-	-	-	-	-
- debt securities	38,850,000	-	-	38,850,000	36,556,201
At 31 December 2019	38,850,000	3,636,645	4,721,802	47,208,447	44,914,648

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2018					
Financial assets					
Deposit on the 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
At 31 December 2018	-	31,804,564	13,461,617	45,266,181	45,266,181
Financial liabilities					
Financial liabilities at amortised cost					
- other financial liabilities	-	1,626,735	4,959,032	6,585,767	6,585,767
- debt securities	38,332,000		-	38,332,000	36,479,574
At 31 December 2018	38,332,000	1,626,735	4,959,032	44,917,767	43,065,341

42. 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.

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.

42. Financial risk management (continued)

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.

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+ (2018: 38% - 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. Contingent liabilities are disclosed in note 38, and no guarantees are held by the group.

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.

42. Financial risk management (continued)

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	
	2019	2018
	Eur	Eur
Market interest rates – cash flow	**+/-191,060**	+/- 238,746

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

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 asset position of *Eur1,116,709* (2018: current liability of Eur*7,115,108*). The improved position as at the year-end is attributable to cash at bank following the disposal and sale of one of the group's subsidiaries as explained in note 34.

42. Financial risk management (continued)

Sensitivity analysis (continued)

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 one year Eur	2-5 years Eur	Over 5 years Eur	Total Eur
2019				
Non-interest bearing	**3,373,327**	**2,405**	**398,017**	**3,773,749**
Variable rate instruments	**3,673,326**	**26,189,269**	**15,490,509**	**45,353,105**
Fixed rate instruments	**1,719,158**	**48,925,101**	**-**	**50,644,259**
Derivative financial liabilities	**-**	**204,322**	**-**	**204,322**
	8,765,811	**75,321,097**	**15,888,526**	**99,975,434**
2018				
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	36,239,808	62,890,268	113,164,002

Holding company

	On demand or within one year Eur	2-5 years Eur	Over 5 years Eur	Total Eur
2019				
Non-interest bearing	**2,747,673**	**-**	**-**	**2,747,673**
Fixed rate instruments	**6,540,722**	**48,317,500**	**-**	**54,858,222**
	9,288,395	**48,317,500**	**-**	**57,605,895**
2018				
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

42. Financial risk management (continued)

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.

Capital risk management

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

The capital structure of the group and the company consists of debt, which includes the borrowings disclosed in notes 26, 27 and 29, cash and cash equivalents as disclosed in note 32 and of items presented within equity in the statement of financial position.

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

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 14 to 88, which comprise the statements of financial position as at 31 December 2019, 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 2019, 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 2019 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 2019 amounts to € 109.9 million and € 4.6 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 € 3.8 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. The property valuations do not include COVID-19 implications, which are deemed to be a post-balance sheet event.

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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

Report on the Corporate governance statement

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

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

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

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance with the Code of Principles of Good 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 10 to 13 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 disclosures 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 two years.

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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30 April 2020