

TIGNÉ MALL p.l.c.

Annual Report and Financial Statements
31 December 2017

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Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The company's principal activity, which is unchanged since last year, is the ownership and management of 'The Point Shopping Mall'.

Review of the business

The directors are pleased to report that The Point Shopping Mall has registered yet another positive year for the seventh consecutive year since its opening. In the context of a highly competitive market, tenant sales have nonetheless registered an increase over 2016. This increase, on the back of a fully occupied mall and an increase in footfall, has had a positive effect on total revenue and has strengthened the financial results of the company. The directors are pleased to report that the company's EBITDA increased to €5.6 million (2016: €5.3 million), while profit after tax for the current financial year exceeded the result projected in the initial public offering prospectus by 37.0% (2016: 36.8%). The Directors expect that the level of activity in 2018 will continue at current levels.

In the year ended 31 December 2017, the company registered a profit before tax of €3.4 million as compared to a profit before tax of €3.1 million in 2016. The company's vision is to be the best owner-manager of retail property in Malta. The company continues to embrace a business strategy based on providing a compelling retail destination, developing and maintaining strong relationships with tenants, housing an iconic mix of brands, delivering long term, sustainable growth in net rental income and generating returns for shareholders.

During the year ended 31 December 2017, management has updated the valuation of The Point Shopping Mall to reflect the earnings emanating from the operation of The Point Shopping Mall. The resulting revaluation surplus amounted to €8.97 million net of applicable deferred tax. Following this uplift, the mall, which is accounted for as property, plant and equipment in the statement of financial position is now valued at €74.2 million (2016: €61.8 million).

In view of the liquidity position of the Company, during 2017, management renegotiated the loan repayment arrangements with the bank enabling the Company to effect larger repayments at more advantageous terms. As at December 2017, the Company's total bank borrowings as a percentage of total assets amounted to 23% (2016: 31%).

At 31 December 2017, the company's current liabilities exceeded its current assets by €1.6 million (2016: net current assets €97k). The company has managed the deficiency during the course of the year through a programme of active liquidity management and consequently cash and cash equivalent at the end of the year improved by €748,693 (2016: €161,203).

The Financial Risk Management note in the Financial Statements (Note 2) explains the process of how the Board identifies and manages its financial risks. The main categories of risk described in this Note are market risk, credit risk and liquidity risk. The same note includes extensive detail of the processes undertaken by the company to manage these risks.

The Statement of Compliance with the Principle of Good Corporate Governance and RemNom Committee Report in this Annual Report, describes other non-financial key performance indicators relevant to the Company, including information relating to employee matters.

Results and dividends

The financial results are set out on page 27. During the year a distribution of €1,431,150 was made to the shareholders in accordance with what was prospected in the initial public offering document covering the final dividend attributable to 2016 amounting to €705,000 and an interim dividend in 2017 of €726,150. Subsequent to the end of the reporting period, the Directors recommend the payment of a final net dividend of €726,150 in relation to 2017 financial results.

Directors' report – continued

Directors

The Directors of the company who held office during the current financial year were:

Joseph Zammit Tabona
David Demarco
Marzena Formosa
Alicia Agius Gatt
Muriel Rutland

In accordance with the company's articles of association, the directors retire from office at the Annual General Meeting and are eligible for re-election or re-appointment.

Statement of Directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Tigné Mall p.l.c. for the year ended 31 December 2017 are included in the Annual Report 2017, which is published in hard-copy printed form and may be made available on the company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union on the basis explained in note 1 to the financial statements; and
- the Annual Report includes a fair review of the development of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face.

Directors' report - continued

Information pursuant to Listing Rule 5.64

Structure of Capital

The company has an authorised share capital of 60,000,000 ordinary shares of €0.50 each and issued and fully paid up share capital of 56,400,000 ordinary shares with a nominal value of €0.50 each. The Ordinary Shares rank *pari passu* amongst each other for all purposes. Each Ordinary Share is entitled to one vote. There are currently no different classes of Ordinary Shares in the company and accordingly all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital (on a winding up or otherwise). All the shares are freely transferable and have been admitted to trading on the Malta Stock Exchange.

Appointment and removal of Directors

Article 95 of the company's Memorandum and Articles of Association states that at each Annual General Meeting of the company all the Directors shall retire from office. A Director retiring from office shall retain office until the dissolution of such Meeting and a retiring Director shall be eligible for re-election or re-appointment. The Directors shall be elected as provided in Article 99 of the Memorandum and Articles of Association that is a maximum of 5 Directors shall be elected at each Annual General Meeting (or at an Extraordinary General Meeting convened for the purpose of electing Directors). Voting shall take place on the basis that every Member shall have 1 vote in respect of each ordinary share held by him. A Member may use all his votes in favour of one candidate or may split his votes in any manner he chooses amongst any two or more candidates. The Chairman of the Meeting shall declare elected those candidates who obtain the greater number of votes on that basis. The company's Articles of Association contain a provision whereby the Directors are entitled to appoint additional directors to the Board where this would be to the benefit of the company in view of their commercial knowledge and experience.

Powers of Directors

The Directors are empowered to act on behalf of the company and in this respect have the authority to enter into contracts, sue and be sued in representation of the company. In terms of the Memorandum and Articles of Association they may transact all business of whatever nature not expressly reserved by the Memorandum and Articles of Association to the shareholders in general meeting or by any provision contained in any law for the time being in force.

General Meetings

The company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year and not more than 15 months shall elapse between the date of one Annual General Meeting of the company and that of the next. All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists as provided by the Companies Act. Any two Members of the company may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

A General Meeting of the company shall be called by not less than 21 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of meeting, the proposed agenda for the Meeting and in case of special business, the general nature of the business to be considered as well as other information. A notice calling an Annual General Meeting shall specify the meeting as such and a notice convening a meeting to pass an Extraordinary Resolution as the case may be shall specify the intention to propose the resolution as such and the principal purpose thereof. A notice of General Meeting called to consider extraordinary business shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such extraordinary business.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

Any Member or Members holding not less than 5% in nominal value of all the shares entitled to vote at the meeting may:

(a) request the company to include items on the agenda of the General Meeting, provided that each item is accompanied by a justification or a draft resolution to be adopted at the Annual General Meeting; and

(b) table draft resolutions for items included in the agenda of a General Meeting. The request to put items on the agenda of the General Meeting or the tabling of draft resolutions to be adopted at the General Meeting shall be submitted to the company (in hard copy or in electronic form to an email address provided by the company for the purpose) at least 46 days before the date set for the General Meeting to which it relates and shall be authenticated by the person or persons making it.

An "Ordinary Resolution" means a resolution taken at a General Meeting of the company passed by a Member or Members having the right to attend and vote at such meeting holding in the aggregate more than 50% in nominal value of the shares represented and entitled to vote at the meeting. An "Extraordinary Resolution" means a resolution taken at a General Meeting of the Company of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principal purpose thereof has been duly given and passed by a number of Members having the right to attend and vote at such meeting holding in the aggregate not less than 75% in nominal value of the shares represented and entitled to vote at the meeting and at least 51% in nominal value of all the shares entitled to vote at the meeting.

Directors' interests in the company's share capital

The company's Directors do not have any direct or indirect interests in the share capital of the Company.

Registered Shareholders with 5% or more of the Company's share capital

	As at 31 December 2017		As at 27 April 2018	
	Ordinary Shares	% Holding	Ordinary Shares	% Holding
Mapfre MSV Life p.l.c.	20,000,000	35.46%	20,000,000	35.46%
Bank of Valletta p.l.c.	9,426,767	16.71%	9,426,767	16.71%
HSBC Bank Malta plc as Custodian for HSBC Life Assurance (Malta) Ltd.	8,260,000	14.65%	8,260,000	14.65%

Other matters

The company has nothing to report in relation to the requirements of Listing Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 since they do not apply to the company. Information relating to the requirements of Listing Rule 5.64.11 is reflected in the RemNom Report on page 16.

Directors' report - continued

Information pursuant to Listing Rule 5.64 - continued

Going Concern

The Directors, as required by Listing Rule 5.62 have considered the company's operational performance, the statement of financial position as at year-end as well as the business plans for the coming year, and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



Joseph Zammit Tabona
Chairman



David Demarco
Director

Registered office:

The Point Shopping Mall
Management Suite
Tigné Point
Sliema TP01
Malta

27 April 2018

Corporate Governance – Statement of Compliance

A. INTRODUCTION

Tigné Mall p.l.c. (the “Company”) is required to include a statement of compliance with the Code of Principles of Good Corporate Governance (the “Code”) contained in Appendix 5.1 of the Listing Rules issued by the Malta Financial Services Authority. This statement is made in terms of Listing Rules 5.94 and 5.97.

The Board of Directors (“the Board”) believes that the adoption of these principles is in the best interest of the Company, its shareholders and other stakeholders, since compliance with the Code is expected by investors on the Malta Stock Exchange and further evidences the Directors' and the Company's commitment to a high standard of corporate governance.

Good corporate governance is the responsibility of the Board, and in this regard, the Board has carried out a review of the Company's compliance with the Code. It has taken measures for the Company to comply with the requirements of the Code to the extent that this is considered appropriate and complementary to the size, nature and operations of the Company. Notwithstanding the fact that the Principles of Good Corporate Governance are not mandatory, the Board has endorsed them and ensured their adoption, save as indicated within the section entitled Non-Compliance with Code where the Board indicates and explains the instances where it has departed from or where it has not applied the Code.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The Directors believe that for the period under review the Company has complied with the requirements of this principle.

The overall management and policy setting of the Company is vested in the Board consisting of a Chairman and four (4) Directors. The Board has provided the necessary leadership in the overall direction of the Company and at the same time has adopted systems whereby it obtains timely information from the Chief Executive Officer (the “CEO”) to ensure an open dialogue between the CEO and Directors on an ongoing basis and not only at meetings of the Board.

All the Directors, individually and collectively, are of the appropriate calibre and have the necessary skills and experience to contribute effectively to the decision-making process. The Board delegates specific responsibilities to a number of committees, notably the Supervisory Committee, the Audit Committee and the RemNom Committee, each of which operates under formal terms of reference approved by the Board.

Principle 2: Chairman and Chief Executive

In line with the requirements of Principle 2, the Company has segregated the functions of the Chairman and the CEO. The Chairman is responsible to lead the Board and to set its agenda, ensuring that the Board's discussions on any issue put before it go into adequate depth, encouraging the involvement of all Directors, and ensuring that all the Board's decisions are supported by precise, timely and objective information. The Chairman, together with the Supervisory Committee, ensures that the CEO implements the strategy that is agreed to by the Board.

These positions have been defined with specific roles rendering them completely separate from one another and are occupied by Mr. Joseph Zammit Tabona and Mr. Edwin Borg respectively.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 2: Chairman and Chief Executive - continued

The Board has delegated specific authority to the CEO to manage activities within the Company which include, amongst others:

- Implementation of policies as set by the Board;
- Working towards objectives established by the Board;
- Putting into effect plans to organise, direct and manage the human resources available to attain the highest possible profitability and results in the interest of the Company's shareholders and all other stakeholders.

The role of the CEO is to plan, co-ordinate and control the daily operations of the Company through the leadership and direction of the Company's human resources. The CEO reports regularly to the Supervisory Committee and the Board on the performance and affairs of the Company.

Together with the Chairman of the Board, the CEO represents the Company with third parties.

Principle 3: Composition of the Board

The size of the Board, whilst not being large as to be unwieldy, is appropriate for the requirements of the Company's business and conducive to good corporate governance. The combined and varied knowledge, experience and skills of the Board members provides a robust framework for efficient decision-making, supports the effective control and management of the Company's affairs and contributes to the functioning of the Board and its direction to the Company. The Board is composed entirely of non-executive Directors, comprising independent non-executives, each of whom is able to add value and to bring independent judgement to bear on the decision-making process.

The CEO attends all Board meetings, albeit without a vote, providing direct input into the Board's deliberations and gaining in-depth understanding of the Board's policy and strategy in the process.

The following Directors served on the Board during the period under review:

Chairman

Mr. Joseph Zammit Tabona

Non-Executive Directors

David Demarco
Marzena Formosa
Alicia Agius Gatt
Muriel Rutland

Pursuant to generally accepted practice, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board, or the Board is of the opinion that it would be of benefit to the Company if additional Directors are appointed in view of their commercial knowledge and experience. Unless appointed for a shorter period, a Director shall hold office from the end of one Annual General Meeting to the end of the next and a retiring Director shall be eligible for re-election or re-appointment.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 3: Composition of the Board - continued

Every shareholder owning twenty per cent (20%) of the ordinary share capital is entitled to appoint one director for each twenty per cent (20%) shareholding. Furthermore, any excess fractional shareholding not so utilised may participate in the voting for the election of other directors. Shareholders who own less than twenty per cent (20%) of the ordinary share capital participate in the election of the Directors on the basis that each shareholder shall have one vote in respect of each ordinary share held. The Chairman is elected by a simple majority from amongst the Directors of the Company.

Principle 4: The Responsibilities of the Board

In fulfilling its mandate within the terms of the Company's Memorandum and Articles of Association, the Board of Directors assumes responsibility to:

- a) establish corporate governance standards;
- b) review, evaluate and approve the business plan and targets submitted by management and work with management towards their successful implementation;
- c) identify the principal business risks for the Company and oversee the implementation and monitoring of appropriate risk management systems;
- d) ensure that effective internal control systems are in place and review their effectiveness;
- e) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities, the performance of senior management and plans for senior management development including succession planning;
- f) review, evaluate and approve compensation strategy for senior management;
- g) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities; and
- h) ensure that the Company has in place a policy that enables it to communicate effectively with shareholders, stakeholders and the public in general.

The Board supervises compliance with the Listing Rules, including those pertaining to the preparation and publication of the Annual Report and Financial Statements. It approves the Financial Statements for submission to the General Meeting of the shareholders and accordingly retains direct responsibility for approving and monitoring:

- (i) the Business Plan for the Company;
- (ii) the Annual Financial Plans including capital budgets;
- (iii) the Annual Financial Statements;
- (iv) proposals to increase the issued capital and to materially increase or decrease the Company's funding; and
- (v) other resolutions which the Board may determine to be subjected to its approval from time to time.

Any meeting that a Director wishes to initiate may be arranged through the Company Secretary. A Director of the Company has access to the advice from internal and external sources which are deemed necessary for carrying out the respective roles and responsibilities and the Company will bear the related expenses.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 5: Board Meetings

The Board of Directors meets at least every quarter and on any other occasion as may be necessary. Further to attending formal Board meetings, individual Directors participate in other *ad hoc* meetings during the year as may be required. They are also active in Board sub-committees, either to assure good corporate governance or to contribute to the Company's decision-making process. Board meetings are presided over by the Chairman and all Directors are allowed equal opportunity to voice and express their views on matters relating to the Company and its business.

Eight meetings of the Board of Directors were held during 2017 and attendance was as follows:

<i>Board member</i>	<i>Attended</i>
Joseph Zammit Tabona	8 (out of 8)
David Demarco	7 (out of 8)
Marzena Formosa	8 (out of 8)
Alicia Agius Gatt	5 (out of 8)
Muriel Rutland	6 (out of 8)

Principle 6: Information and Professional Development

The CEO is appointed by the Board and enjoys its full support and confidence. The recruitment and selection of senior management is the responsibility of the CEO in consultation with the Board. Likewise, the CEO consults with the Board on matters relating to succession planning for senior management within the Company. The Board considers and discusses succession planning measures at all senior management levels taking into account the size and depth of the management team of the Company, with reliance on a limited number of officers.

Newly appointed Directors are provided with briefings by the CEO, the Company Secretary and also by other members of management in respect to the operations of the Company. A comprehensive information pack is handed over to a new Director following his appointment and this usually incorporates the Memorandum and Articles of the Company, relevant legislation as well as rules and regulations. The Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are adhered to. Additionally, Directors may seek independent professional advice on any matter at the Company's expense.

The Company ensures the personal development of Directors, management and employees by recommending attendance to seminars, conferences as well as training programmes that are designed to help improve the potential of its staff members whilst furthering the Company's competitiveness.

Principle 7: Evaluation of Board's Performance

During the year under review, the Board carried out an evaluation of its own performance together with that of the Committees, the Chairman, the individual Directors and the CEO. Under the direction of the Chairperson of the RemNom Committee, the evaluation process for the Board was conducted through a comprehensive board effectiveness questionnaire, the results of which were discussed by the Chairperson of the RemNom Committee and the Chairman of the Audit Committee. The review has not resulted in any material changes in the Company's internal organisation or in its governance structures.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees

The Board has appointed the following Committees:

Audit Committee

For the year under review, the Audit Committee was composed of three non-executive Directors and had the following members:

David Demarco (Chairman of the Committee)
Alicia Agius Gatt
Muriel Rutland

In terms of Listing Rule 5.118, Mr David Demarco is the Director whom the Board considers as competent in accounting and auditing. Mr David Demarco is an independent non-executive Director and is considered independent because he is free from any significant business, family or other relationship with the Company or its management that may create a conflict of interest such as to impair his judgement. Mr Demarco is also competent in accounting in terms of the Listing Rules having previously occupied and currently occupying senior positions with banking and other financial institutions.

For the purpose of Code Provision 3.2, the Board considers each of the other non-executive Directors as independent within the meaning of the Code, notwithstanding their positions of senior executive officers within other entities that are shareholders of the company.

The Audit Committee is a committee appointed by the Board and is directly responsible and accountable to the Board. The Audit Committee's primary purpose is to:

- (a) protect the interests of the Company's shareholders; and
- (b) assist the Directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Board has set formal terms of reference for the Audit Committee that establish its composition, role and function. The Board may change these terms of reference from time to time.

The main role and responsibilities of the Audit Committee are:

- (a) to inform the Board of Directors of the outcome of the statutory audit and to explain how the statutory audit contributed to the integrity of the Financial Statements and what the role of the audit committee was in this process;
- (b) to monitor the financial reporting process and to submit recommendations of proposals to ensure its integrity;
- (c) to establish internal procedures and to monitor these on a regular basis;
- (d) to monitor the effectiveness of the company's internal quality control and risk management systems and, where applicable, its internal audit regarding the financial reporting without breaching its independence;

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees - continued

- (e) to monitor the audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26 (6) of the Statutory Audit Regulation;
- (f) to review the additional report prepared by the statutory auditors or audit firm submitted to the Audit Committee in terms of Article 11 of the Statutory Audit Regulation. The Audit Committee may disclose the additional report to third parties in order to execute its functions in line with the terms of reference;
- (g) to review and monitor the independence of the statutory auditors or audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directive 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and Article 6 of the Statutory Audit Regulation and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of the Statutory Audit regulation;
- (h) the responsibility for the procedure for the selection of statutory auditors or audit firms;
- (i) to recommend the statutory auditors or the audit firm to be appointed in accordance with Article 16 of the Statutory Audit Regulation;
- (j) to review the Company's internal financial control system and, unless addressed by a separate risk committee or the Board itself, risk management systems; and
- (k) reviewing the organisation of the internal audit function of the Company, including its plans, activities, staffing and organisational structure.

The role of the Audit Committee with respect to related party transactions.

The Audit Committee shall be responsible for vetting and approving related party transactions.

The Audit Committee shall ensure that any such transactions are entered into at arm's length and on a normal commercial basis and shall give due consideration to:

- the materiality of the transaction;
- whether the transaction is in the ordinary course of the Company's business;
- whether the transaction gives rise to preferential treatment to the Related Party.

Should the Audit Committee deem that the related party transaction will have a material effect on the Company's business, the Company shall make a Company announcement which shall contain:

- the nature and details of the transaction;
- the name of the Related Party concerned; and
- details of the nature and extent of the interest of the Related Party in the transaction.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 8: Committees - continued

Where the proposed related party transaction is not approved by the Audit Committee but the Company still wants to proceed with the transaction, the Company shall:

- make a Company Announcement with the details set out above;
- send a circular to its shareholders; and
- obtain the approval of its shareholders either prior to the transaction being entered into and where applicable ensure that the Related Party itself abstains from voting on the relevant resolution. During the general meeting convened for this purpose, the Board of directors of the Company shall disclose the fact that the audit committee did not approve the related party transaction.

The Audit Committee met formally three times. The CEO, the Financial Controller and the External Auditors were invited to attend relevant parts of such meetings. Attendance at the meetings was as follows:

<u>Board member</u>	<u>Attended</u>
David Demarco	3 (out of 3)
Alicia Agius Gatt	2 (out of 3)
Muriel Rutland	3 (out of 3)

Supervisory Committee

The Board delegates specified authority and accountability for the Company to the Supervisory Committee, which is composed of Ms. Marzena Formosa (Chairperson of the Committee), Mr. David Demarco and Mr. Edwin Borg. The Supervisory Committee supervises the management of the Company, to ensure the attainment of its strategy and objectives.

The Supervisory Committee typically meets every month and the terms of reference of the Committee envisage the execution of policy matters delegated by the Board to ensure the attainment of the Company's objectives.

RemNom Committee

A separate "RemNom Committee Report" features elsewhere in the Annual Report in compliance with the relevant Code provisions of the Principles of Good Corporate Governance.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 9 & 10: Relations with Shareholders and with the Market, and Institutional Investors

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. In the Board's view, the Company communicates effectively with shareholders by issuing two bi-annual Shareholders' newsletters, publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical Company Announcements and through press releases in the local media to the market in general. The financial results are available on the Company's website www.thepointmalta.com, in the Investors Relations Section. Within seven months of the end of the financial year, the annual general meeting of the Shareholders is convened to consider the annual financial statements, the Directors' and Auditors' reports for the year, to decide on any dividends recommended by the Board, to elect Directors, appoint auditors and to set their respective remuneration. A presentation is given by the CEO of the Company showing how the Company operated in the light of prevailing economic and market conditions, and an assessment on future prospects is given. More information on Annual General Meetings is disclosed in the Directors' Report.

The Chairman arranges for all Directors to attend the Annual General Meeting. As outlined below, the Board has adopted rules whereby directors having conflicts of interest on any matters being discussed at Board level disclose the conflict in a timely manner to the Board and the Director so conflicted will not be allowed to vote on such matters.

Principle 11: Conflicts of Interest

The Directors are fully aware of their responsibility to act in the interest of the Company and its shareholders at all times and of their obligation to avoid conflicts of interest. Such conflicts of interest affecting Board members may, and do, arise on specific matters from time to time. In these instances, by virtue of the Memorandum and Articles of Association:

- a director is obliged to make full disclosure with respect to any matter where there is a potential or a real conflict of interest, whether such conflict arises from personal interests or the interests of the companies in which such person is a director or an officer;
- the said director is excused from the meeting and consequently not involved in the Board's discussion on the matter; and
- the said director does not vote on such matter.

The Memorandum and Articles of Association state that if any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, then such question shall be referred to the Audit Committee and their ruling shall be final and conclusive.

Potential conflicts of interest may principally arise in relation to the leasing out of retail space and the procurement of certain services.

In the event of a prospective lease the Chief Executive Officer negotiates with the prospective tenant to ensure that a superior standard and type of tenant is taken on at the best possible terms and conditions.

The Supervisory Committee is responsible for the supervision of such process. In particular, it is responsible for approving prospective tenants in principle, assisting and directing the CEO in negotiations with tenants. Accordingly, leases for retail space within the mall are approved by the Board on the advice of the Supervisory Committee.

Corporate Governance – Statement of Compliance - continued

B. COMPLIANCE WITH THE CODE - continued

Principle 11: Conflicts of Interest - continued

All contracts for goods and services and any other purchases are based upon the principle of competitive bidding. The CEO negotiates with suppliers in order to ensure that the best quality goods and services are procured by the Company at the best possible price. The Supervisory Committee is responsible to supervise such procurement processes by assisting and directing the CEO in negotiations with contractors, suppliers and service providers.

The Company has also implemented a clear and detailed policy in respect of dealings of Directors in the Company's shares, which policy is based on timely and comprehensive disclosures and notices, where and if applicable in terms of the Listing Rules.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interest of the Company.

Principle 12: Corporate Social Responsibility

The Company recognises the importance of its role in the corporate social responsibility (CSR) arena and works to meet the expectations of the community in this respect. Amongst the initiatives taken during the year under review, the Company has endeavoured to meet its CSR obligations, in particular through:

- its support for fundraising events for charitable institutions;
- participation in recognised student-exchange programmes for the benefit of both local and foreign students;
- waste recycling initiatives; and
- energy conservation initiatives.

C. NON-COMPLIANCE WITH THE CODE

Principle 3: Composition of the Board

The Board is composed entirely of non-executive Directors, including independent non-executives. However, the Board holds the opinion that it is of an adequate size and that the balance of skills and experience is appropriate for the requirements of the Company. The attendance of the CEO at Board meetings is deemed a sufficiently effective measure to ensure a balance of executive and non-executive participation.

Principle 4: Succession policy for the future composition of the Board (Code Provision 4.2.7)

The Board notes that pursuant to the Company's Memorandum and Articles of Association, the appointment of Directors to serve on the Board of Directors is a matter which is entirely reserved to the shareholders of the Company. As indicated in the statement of compliance, all newly appointed Directors are given an adequate induction course in the operations, activities and procedures of the Company to be able to carry out the function of a Director in an effective manner. The Board also notes the emphasis in this Code provision on the executive component of the Board and points out that the Company's Board is composed entirely of non-executive members.

Corporate Governance – Statement of Compliance - continued

Principle 8: Committees

During the year the Audit Committee met for 3 times. Notwithstanding that this does not satisfy the principle emanating from Listing Rule 5.131, which specifies that as a minimum - the number of meeting during a year ought to be 4, the Audit Committee members consider that the same committee has fully discharged its duty in line with its terms of reference.

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.3)

There are no procedures disclosed in the Company's Memorandum or Articles as recommended in Code Provision 9.3, to resolve conflicts between minority shareholders and controlling shareholders. No such conflicts have arisen during the year under review.

D. INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Board is ultimately responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute, assurance against material misstatement or loss.

The Company operates through the Board of Directors and the Supervisory Committee with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The Supervisory Committee plans, executes, controls and monitors business operations in order to achieve the set objectives.

The Directors, with the assistance of Management, are responsible for the identification, evaluation and management of the key risks to which the Company may be exposed. The Company has clear and consistent procedures in place for monitoring the system of internal financial controls. The Directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the Company's set targets. This process is applicable specifically in relation to the Company's financial reporting framework.

The Audit Committee reviews and assesses the effectiveness of the internal control systems, including financial reporting, and determines whether significant internal control recommendations made by the Auditors have been implemented. The Committee plays an important role in initiating discussions with the Board with respect to risk assessment and risk management, reviews contingent liabilities and risks that may be material to the Company.



Joseph Zammit Tabona
Chairman



David Demarco
Director

27 April 2018

RemNom Committee Report

The Board considers the role and function of the Remuneration Committee and that of the Nomination Committee as both being important, however in view of the size of the Company, the Board deemed it fit to merge these two committees into one hereinafter referred to as the RemNom Committee. The Committee was composed of Ms. Marzena Formosa (Chairperson of the Committee), Dr. Alicia Agius Gatt and Ms. Muriel Rutland.

Terms of Reference

The RemNom Committee's terms of reference have been established by the Board.

In its function as Remuneration Committee, the Committee is charged with the oversight of the remuneration policies implemented by the Company with respect to its Directors, management and employees. Its objectives are those of deciding a remuneration policy aimed to attract, retain and motivate Directors as well as senior management with the right qualities and skills for the benefit of the Company. It is responsible for making proposals to the Board on the individual remuneration packages of Directors and senior management and is entrusted with monitoring the level and structure of remuneration of the Directors. The Committee is also required to evaluate, recommend and report on any proposals made by the CEO relating to executive management remuneration and conditions of service. Moreover, the Chairperson of the RemNom Committee oversees the self-assessment process of the Board members referred to earlier on under Principle 7.

In its function as Nomination Committee, the Committee is required to periodically assess the structure, size, composition and performance of the Board and to highlight any skills or experience that in the opinion of the Committee are beneficial to the Board and that may currently be missing. It is also entrusted with managing and reviewing the Board's policy for the selection and appointment of senior executives and making recommendations to the Board regarding any changes in this respect, as well as to consider issues relating to succession planning for senior management.

The function as a Nomination Committee is influenced significantly by the requirements within the Memorandum and Articles of Association in relation to nomination of Directors. In accordance with the Company's Memorandum and Articles of Association, shareholders are entitled to submit nominations for election to the office of Director pursuant to a notice published in at least two (2) daily newspapers. Shareholders have fourteen (14) days to submit such nominations to the Company. It is the responsibility of the Nomination Committee to collate information on the persons that are nominated by the shareholders for election.

The RemNom Committee held three meetings during the period under review and the attendance to the meetings were as follows:

Member	Attended
Ms. Marzena Formosa (Chairperson)	3
Dr. Alicia Agius Gatt	3
Ms. Muriel Rutland	3

During the period under review the RemNom Committee evaluated the performance of senior management in respect of financial year 2016 and proposed a bonus payment in line with the Company's bonus policy. Furthermore, the Committee set a number of objectives for financial year 2017 for the Chief Executive Officer and carried out a mid-year evaluation of the progress of the said objectives.

RemNom Committee Report - continued

It is the Company's policy to engage its senior management on the basis of indefinite contracts of employment after a period of probation, rather than on fixed term contracts. Accordingly, the applicable notice periods, after probation, are those provided for in the relevant legislation. The terms and conditions of employment of senior management are specified in their respective indefinite contracts of employment.

The Company's policy is such that none of the Company's senior management is entitled to any share options, profit sharing arrangements or pension benefits.

Mr. Edwin Borg (CEO) is entitled to the equivalent of a full year's pay, as severance payment, should within three years following a change in control, his employment be terminated by the Company other than for any of the specific causes set out in the contract of employment or by the executive himself in the cases set out in the contract.

The individual contracts of employment of the other senior management and staff do not contain provisions for termination payments and/or other payments linked to early termination other than as may be applicable in accordance with legal requirements. All employees of the Company are entitled to health and life insurance, whilst senior management is entitled to reimbursement of telephone expenses. The CEO and the Financial Controller are entitled to the use of a Company car.

Remuneration payable to senior management during the financial year ended 31 December 2017, which comprises mainly fixed remuneration as per contractual arrangements, has not been disclosed as the information is deemed to be commercially sensitive taking into account the fact that the senior management team is composed of two individuals.

The maximum annual aggregate emoluments payable to the Directors was fixed at €90,000 by the shareholders of the Company at the Annual General Meeting held on the 9 June 2017. This was set to reflect the time committed by the Directors to Company affairs, including the different Board committees of which Directors are members, and their responsibilities in these roles.

Emoluments paid to the non-executive Directors during the current financial year amounted to €70,051, consisting entirely of fees or fixed remuneration stipulated by reference to agreements or contracts. No variable remuneration is payable to the non-executive Directors and it is confirmed that none of the Directors are entitled to profit sharing, share options, pension benefits or any other remuneration.



Marzena Formosa
Chairperson

27 April 2018



Independent auditor's report

To the Shareholders of Tigné Mall p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Tigné Mall p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2017, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Tigné Mall p.l.c.'s financial statements, set out on pages 26 to 52, comprise:

- the statement of financial position as at 31 December 2017;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements 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 the IESBA Code.

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

The non-audit services that we have provided to the company, in the period from 1 January 2017 to 31 December 2017, are disclosed in note 13 to the financial statements.

Our audit approach

Overview



Overall materiality: €150,000, which represents 5% of average profit before tax of the past three years.

Valuation of The Point Shopping Mall

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

Materiality

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

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

<i>Overall materiality</i>	€150,000 (2016: €137,000)
<i>How we determined it</i>	5% of average profit before tax of the past three years
<i>Rationale for the materiality benchmark applied</i>	<p>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We have applied an average to reflect the fluctuations in results in recent years.</p> <p>We selected 5%, which is within the range of quantitative materiality thresholds that we consider acceptable.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €7,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

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. 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.

Key audit matter	How our audit addressed the Key audit matter
------------------	--

Valuation of The Point Shopping Mall

The company's main asset, 'The Point Shopping Mall', is shown at fair value based on a model using discounted cash flow projections. These projections are based on a number of significant unobservable inputs.

Further disclosure is included in Note 3 (Critical accounting estimates) and Note 4 (Property, plant and equipment).

The key inputs in the underlying valuation model include free cash flows after tax that are based on contracted and projected income streams covering the remaining term of the sub-emphyteusis less operating expenses, the growth rate and discount rate.

We focused on this area because of the significance of the carrying value of the 'The Point Shopping Mall' in the Statement of the Financial Position, the revaluation surplus recognised in 2017 and the judgemental nature of the assumptions used in underlying valuation model, such as the growth rate and discount rate applied in the same model.

We understood and evaluated the valuation model supporting the value of 'The Point Shopping Mall'. Our audit procedures included a review of the projected financial information prepared by management. We agreed the projected information to the relevant inputs in the model, and to the extent possible, agreed these inputs to the terms of the current tenant rental schedules.

We tested the mathematical accuracy of the calculations.

We also engaged our own in-house valuation specialists to critique and challenge the key assumptions used in the calculations including the growth rate and discount rate, given that a marginal change in one of the inputs of the valuation has a significant impact on the valuation.

We concluded, based on our audit work that the valuation was within a reasonable range.

In addition, we evaluated the adequacy of the disclosures made in Notes 3 and 4 of the financial statements, including those regarding the key assumptions.



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the RemNom Committee Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Chairman's Statement and Chief Executive's Review, which are expected to be made available to us after that date.

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 Maltese Companies Act (Cap. 386).

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

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

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

When we read the Chairman's Statement and Chief Executive's Review, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance in accordance with International Standards on Auditing.

Responsibilities of the directors and 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 IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

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 benefits of such communication.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

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

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

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

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

In our opinion, the Statement of Compliance set out on pages 6 to 15 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese 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.
- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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



Independent auditor's report - continued

To the Shareholders of Tigné Mall p.l.c.

Appointment

We were first appointed as auditors of the Company for the financial year ended 31 December 2005. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 13 years.

The Company became listed on a regulated market on 2 May 2013.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'D. Valenzia'.

David Valenzia
Partner

27 April 2018

Statement of financial position

		As at 31 December	
	Notes	2017 €	2016 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	74,158,938	61,756,192
Current assets			
Trade and other receivables	5	2,516,232	2,233,962
Cash and cash equivalents	6	1,616,477	867,784
Total current assets		4,132,709	3,101,746
Total assets		78,291,647	64,857,938
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	27,766,888	27,766,888
Revaluation reserve	8	14,650,623	5,749,064
Retained earnings		3,162,736	2,207,070
Total equity		45,580,247	35,723,022
Non-current liabilities			
Trade and other payables	9	756,339	726,391
Borrowings	10	15,843,525	19,977,566
Deferred tax liabilities	11	10,371,161	5,425,729
Total non-current liabilities		26,971,025	26,129,686
Current liabilities			
Trade and other payables	9	3,186,780	2,829,659
Borrowings	10	1,792,100	-
Current tax liabilities		761,495	175,571
Total current liabilities		5,740,375	3,005,230
Total liabilities		32,711,400	29,134,916
Total equity and liabilities		78,291,647	64,857,938

The notes on pages 30 to 52 are an integral part of these financial statements.

The financial statements on pages 26 to 52 were authorised for issue by the Board on 27 April 2018 and were signed on its behalf by:



Joseph Zammit Tabona
Chairman



David Demarco
Director

Income Statement

	Notes	Year ended 31 December	
		2017 €	2016 €
Revenue	12	6,145,238	5,917,120
Cost of sales	13	(1,609,092)	(1,616,345)
Gross profit		4,536,146	4,300,775
Administrative and other expenses	13	(436,490)	(418,973)
Operating profit		4,099,656	3,881,802
Finance income	15	1,804	3,446
Finance costs	16	(720,789)	(826,663)
Profit before tax		3,380,671	3,058,585
Tax expense	17	(1,062,296)	(1,012,134)
Profit for the year		2,318,375	2,046,451
Earnings per share (Euro cents)	19	4.11	3.63

Statement of Comprehensive Income

	Note	Year ended 31 December	
		2017 €	2016 €
Profit for the year		2,318,375	2,046,451
Other comprehensive income:			
Revaluation surplus on land and buildings arising during the year, net of deferred tax	8	8,970,000	-
Other comprehensive income for the year, net of tax		8,970,000	-
Total comprehensive income for the year, net of tax		11,288,375	2,046,451

The notes on pages 30 to 52 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2016		27,766,888	5,817,505	1,502,178	35,086,571
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	2,046,451	2,046,451
Transactions with owners					
Dividends paid to shareholders		-	-	(1,410,000)	(1,410,000)
Other movements net of tax	8	-	(68,441)	68,441	-
Total transactions with owners		-	(68,441)	(1,341,559)	(1,410,000)
Balance as at 31 December 2016		27,766,888	5,749,064	2,207,070	35,723,022
Balance at 1 January 2017		27,766,888	5,749,064	2,207,070	35,723,022
Comprehensive income					
Profit for the year		-	-	2,318,375	2,318,375
Other Comprehensive income:					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	8	-	8,970,000	-	8,970,000
Total comprehensive income		-	8,970,000	2,318,375	11,288,375
Transactions with owners					
Dividends paid to shareholders		-	-	(1,431,150)	(1,431,150)
Other movements net of tax	8	-	(68,441)	68,441	-
Total transactions with owners		-	(68,441)	(1,362,709)	(1,431,150)
Balance as at 31 December 2017		27,766,888	14,650,623	3,162,736	45,580,247

The notes on pages 30 to 52 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2017 €	2016 €
Cash flows from operating activities			
Cash generated from operations	20	5,654,523	5,174,450
Interest paid		(633,211)	(535,222)
Interest received		1,804	3,446
Tax paid		(360,940)	(1,073,343)
Net cash generated from operations		4,662,176	3,569,331
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(52,814)	(14,838)
Net cash used in investing activities		(52,814)	(14,838)
Cash flows from financing activities			
Dividends paid		(1,431,150)	(1,410,000)
Repayment of bank borrowings		(2,429,519)	(1,983,290)
Cash used in financing activities		(3,860,669)	(3,393,290)
Net movement in cash and cash equivalents			
		748,693	161,203
Cash and cash equivalents at beginning of year		867,784	706,581
Cash and cash equivalents at end of year	6	1,616,477	867,784

The notes on pages 30 to 52 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

Tigné Mall p.l.c. is a public limited liability company with its principal activity being to own and manage 'The Point Shopping Mall'.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class of property, plant and equipment.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

As at 31 December 2017, the company's current liabilities exceeded its current assets by €1,607,666 (2016: net current assets of €96,516). The company has managed to address the deficiency during the course of the year through a programme of active liquidity management. This has also enabled the company to anticipate its bank repayment commitments. The Directors continue to adopt the going concern assumption in the preparation of the company's financial statements. In the opinion of the Directors, taking cognisance of the short-term funding arrangements together with the long-term liquidity and capital management programmes, there is no material uncertainty which may cast significant doubt on the company's ability to continue operating as a going concern.

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2017. These standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the company.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2018, including IFRS 9, 'Financial instruments', IFRS 15, 'Revenue from contracts with customers' and IFRS 16, 'Leases'.

The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, comprising mainly 'The Point Shopping Mall', are shown at fair value less subsequent depreciation. The fair value of 'The Point Shopping Mall' is based on the discounted cash flows valuation model prepared by management. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

Land and buildings are depreciated over the remaining term of the emphyteusis. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Electrical and plumbing installations	3 - 8
Plant, machinery and operational equipment	3 - 15
Fixtures and fittings	2 - 15
Office and computer equipment	10 - 33.33

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.4). Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When the revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.5 Financial assets

1.5.1 Classification

The company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.6 and 1.7).

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.5.3 Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assesses whether objective evidence of impairment exists. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.6 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.9 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1. Summary of significant accounting policies - continued

1.12 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when 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 where there is an intention to settle the balances on a net basis.

1.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of sales taxes, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as set out below.

Revenue from services is generally recognised in the period during which the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

1.14 Operating leases

(a) Where the company is a lessee

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies - continued

1.14 Operating leases - continued

(b) Where the company is a lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.3. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income from operating leases is recognised in profit or loss on a straight line basis over the lease term.

1.15 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company's board of Directors provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Market risk

(i) Foreign exchange risk

The company's revenues and operating expenditure together with its financial assets and liabilities, including financing, are predominantly denominated in euro. Accordingly, the company is not significantly exposed to foreign exchange risk. A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The company's significant instruments which are subject to fixed interest rates comprise the deposits effected under operating lease arrangements. In this respect, the company is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost and therefore any changes in interest rates will not have an effect on profit or loss and equity. The company's cash flow interest rate risk principally arises from bank borrowings issued at variable rates (Note 10). Management monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The company's operating cash flows are substantially independent of changes in market interest rates and accordingly the level of interest rate risk is contained.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(b) Credit risk

Credit risk arises from cash and cash equivalents (Note 6) and trade and other receivables (Note 5), which constitute the company's loans and receivables category for IAS 39 categorisation purposes. The company's exposures to credit risk are analysed in the respective note to the financial statements. The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The company does not hold any collateral as security in this respect.

The company banks only with local financial institutions with high quality standard or rating. The company invoices its customers quarterly in advance and assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The company monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the company's receivables, taking into account historical experience in collection of accounts receivable. Management does not expect any material losses from non-performance by its debtors except as outlined below.

As at 31 December 2017, trade receivables of €19,118 (2016: €43,739) were deemed to be long outstanding and on which a provision of €6,691 (2016: €15,309) was being accounted for, in line with the company's policy. The impaired receivables relate to customers who are not meeting the repayment obligations. Management is confident that a significant portion of the impaired receivable will still be recovered during 2018.

As at the end of the reporting period, the company had past due, but not impaired, receivables amounting to €153,739 (2016: €92,434). The company manages credit exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The company's trade receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

In view of the nature of the company's activities from the shopping mall, a limited number of customers account for a certain percentage of the entity's trade receivables (refer to Note 12).

The company's receivables include amounts owed by related parties. Management monitors related party credit exposures at individual entity level and ensures timely performance in the context of overall liquidity management. The company takes cognisance of the related party relationship with these debtors and management does not expect any losses from non-performance or default.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 10) and trade and other payables (Note 9). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(c) Liquidity risk - continued

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows from operation of the 'The Point Shopping Mall'. This includes reviewing the matching or otherwise of expected cash inflows and outflows arising from expected maturities of financial instruments. On the basis of the forecasts, management ensures that no additional financing facilities are expected to be required.

As at 31 December 2017, the company's current liabilities exceeded its current assets by €1,607,666 (2016: net current assets of €96,516). The company has managed to address the deficiency during the course of the year through a programme of active liquidity management. This has also enabled the company to anticipate its bank repayment commitments in 2016. In view of the liquidity position of the Company, during 2017, management renegotiated the loan repayment arrangements with the bank enabling the Company to effect larger repayments at more advantageous terms.

The company's trade and other payables with the exception of certain liabilities (Note 9) are entirely repayable within one year from the end of the reporting period. The following table analyses the company's borrowings and deposits arising under operating leases classified as other payables into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount €	Less than 1 year €	Between 1 and 2 €	Between 2 and 5 years €	Over 5 years €	Total €
31 December 2017						
Other payables	756,339	-	88,810	437,814	337,244	863,868
Borrowings	15,843,525	2,397,819	2,345,720	6,714,917	9,484,774	20,943,230
	<u>16,599,864</u>	<u>2,397,819</u>	<u>2,434,530</u>	<u>7,152,731</u>	<u>9,822,018</u>	<u>21,807,098</u>
31 December 2016						
Other payables	726,391	-	73,597	442,564	340,701	856,862
Borrowings	19,977,566	888,004	954,111	6,808,500	17,716,286	26,366,901
	<u>20,703,957</u>	<u>888,004</u>	<u>1,027,708</u>	<u>7,251,064</u>	<u>18,056,987</u>	<u>27,223,763</u>

2.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. The adequacy of the company's capital level as at the end of the reporting period is reviewed in the context of the nature of the company's activities and the extent of borrowings or debt.

2. Financial risk management - continued

2.3 Fair values of financial instruments

The company is required to disclose fair value measurements and disclosures by level of a fair value measurement hierarchy for financial instruments (Level 1, 2 or 3). The different levels of the fair value hierarchy are defined as fair values using:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly i.e. as prices, or indirectly i.e. derived from prices (Level 2).
- Inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

At 31 December 2017 and 2016 the carrying amounts of financial instruments, comprising cash at bank, receivables, payables, accrued expenses and short-term borrowings is equivalent to their fair values in view of the nature of the instruments or their short-term maturity. The fair value of the non-current financial liabilities comprising borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The estimated fair value of the company's bank borrowings (Note 10) as at the end of the reporting period is not materially different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Note 4 to the financial statements, the company's land and buildings category of property, plant and equipment is fair valued on 31 December on the basis a model based on discounted cash flows, and which applies a number of assumptions, namely the growth rate and the discount rate.

4. Property, plant and equipment

	Land and buildings €	Plant and other integral assets €	Office equipment, furniture and fittings €	Total €
At 1 January 2016				
Cost or valuation	49,673,418	16,395,585	1,632,973	67,701,976
Accumulated depreciation	-	(4,036,842)	(464,134)	(4,500,976)
Net book amount	49,673,418	12,358,743	1,168,839	63,201,000
Year ended 31 December 2016				
Opening net book amount	49,673,418	12,358,743	1,168,839	63,201,000
Additions	2,738	-	12,100	14,838
Depreciation charge	(700,766)	(675,492)	(83,388)	(1,459,646)
Closing net book amount	48,975,390	11,683,251	1,097,551	61,756,192
At 31 December 2016				
Cost or valuation	49,676,156	16,395,585	1,645,073	67,716,814
Accumulated depreciation	(700,766)	(4,712,334)	(547,522)	(5,960,622)
Net book amount	48,975,390	11,683,251	1,097,551	61,756,192
Year ended 31 December 2017				
Opening net book amount	48,975,390	11,683,251	1,097,551	61,756,192
Additions	22,109	-	30,705	52,814
Revaluation surplus arising during the year (Note 8)	13,800,000	-	-	13,800,000
Depreciation charge	(702,730)	(675,492)	(71,846)	(1,450,068)
Closing net book amount	62,094,769	11,007,759	1,056,410	74,158,938
At 31 December 2017				
Cost or valuation	62,094,769	16,395,585	1,675,778	80,166,132
Accumulated depreciation	-	(5,387,826)	(619,368)	(6,007,194)
Net book amount	62,094,769	11,007,759	1,056,410	74,158,938

The company operates The Point Shopping Mall, a fully serviced shopping mall, which activity extends beyond the mere leasing out of retail space. The extent of the services provided is deemed to be significant to the arrangement with the tenants as a whole. Accordingly the shopping mall is treated as property, plant and equipment under the requirements of IAS 16 rather than investment property under IAS 40.

4. Property, plant and equipment - continued

MIDI p.l.c. had granted the Property to the company by title of temporary sub-emphyteusis in October 2010, commencing from the date of the grant, for the remaining period out of the original period of 99 years which commenced from 15 June 2000. The annual sub-ground rent consists of a proportionate part of the original annual ground rent together with an increase of ground rent payable to MIDI p.l.c. The increase of ground rent payable to MIDI p.l.c. is a nominal amount. The proportionate part pertaining to the Property out of the original annual ground rent imposed on all of the land granted by the Emphyteutical Deed is currently €76,000. This original ground rent will increase in accordance with the terms of the Emphyteutical Deed on 1 April 2025 and on 1 April 2050. As security for the payment of the sub-ground rent and its proportionate share of the original ground rent, the company granted to MIDI p.l.c. a general hypothec on all its property present and future in general and a special privilege on the Property.

Bank borrowings are secured on the company's property, plant and equipment (Note 10).

Fair value of land and buildings

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The recurring property fair value measurement, in relation to The Point Shopping Mall, uses significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2017 and 2016.

A reconciliation of the opening balance to the closing balance of non-financial assets for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above. The only movements reflect additions, revaluations and depreciation charge for the years ended 31 December 2017 and 2016.

Valuation processes

The valuation of the property is performed regularly on the basis of a model using the discounted cash flows. At the end of every reporting period, the CEO (Chief Executive Officer) and the Financial Controller assess whether any significant changes in actual circumstances, projected and registered income streams, results and developments have been experienced since the last external valuation. The CEO and the Financial Controller report to the audit committee on the outcome of this assessment.

4. Property, plant and equipment - continued

Valuation processes - continued

The valuation model and the underlying inputs and the assumptions are reviewed by the CEO and the Financial Controller. When the CEO and the Financial Controller consider that the valuation model and the underlying inputs and the assumptions are appropriate, the valuation model is recommended to the audit committee. The audit committee considers the valuation model as part of its overall responsibilities.

The company's property (land and buildings together with all other integral assets together comprising The Point Shopping Mall) was revalued on 31 December 2012 by independent, professionally qualified valuers. This valuation has been conducted jointly by KPMG (a partnership of Certified Public Accountants) and DeMicoli & Associates (a firm of architects). As of 31 December 2015, management has updated the valuation of The Point Shopping Mall that had been prepared in 2012, principally by reassessing future cash flows in order to reflect the current operating results and future prospects of the business, taking account of the current tenant rental schedules. Discount rate assumptions have also been updated, primarily to reflect movements in current market conditions and yields

On 31 December 2017, management has updated the valuation of The Point Shopping Mall to reflect the earnings emanating from the operation of The Point Shopping Mall. The resulting revaluation surplus amounted to €8.97 million net of applicable deferred tax. Following this uplift, the mall, which is accounted for as property, plant and equipment in the statement of financial position is now valued at €74.2 million (2016: €61.8 million).

The book value of property has been adjusted to the revalued amount and the resultant surplus, net of applicable deferred taxes, has been credited to the revaluation reserve in shareholders' equity.

Valuation techniques

The Level 3 fair valuation of The Point Shopping Mall was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs. These inputs include:

Free cash flows after tax	based on contracted and projected rental income streams covering the remaining term of the sub-emphyteusis less operating expenditure necessary to manage the shopping mall, comprising mainly marketing, maintenance and similar expenses but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of the company's earnings levels over the remaining term of the sub-emphyteusis, mainly determined by contractual and projected growth in rental income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available to a REO for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

4. Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (level 3)

The significant unobservable inputs applied in the property valuation are the following:

- Projected future free cash flows after tax which average at €4.6 million per annum;
- Growth rate at an approximate average of 3% reflecting principally the estimated projected growth of the Company's rental income streams;
- A discount rate of 7.75% applied in estimating the net present value of the projected future cash flows.

An increase in the projected levels of free cash flows after tax and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017	2016
	€	€
Cost	42,790,090	42,767,981
Accumulated depreciation	(4,815,281)	(4,236,737)
Net book amount	37,974,809	38,531,244

5. Trade and other receivables

	2017	2016
	€	€
Trade receivables - net of provisions for impairment	111,225	115,824
Trade receivables in respect of billing in advance	1,756,141	1,484,670
Prepayments and accrued income	648,866	633,468
	2,516,232	2,233,962

Provisions for impairment as at 31 December 2017 amounted to €6,691 (2016: €15,309).

Prepayments include an amount of €252,500 representing an amount paid by the company in respect of a termination of a lease contract of one of the outlets in the context of revision to layout plans. The directors believe that no impairment trigger arises in view of the fact that the outlet is now being leased out on a short-term basis. The amount is being paid in line with the terms of the contract.

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 €	2016 €
Cash at bank and in hand	1,616,477	867,784

7. Share capital

	2017 €	2016 €
Authorised		
60,000,000 ordinary shares of €0.50 each	30,000,000	30,000,000
Issued		
56,400,000 ordinary shares of €0.50 each, fully paid up	27,766,888	27,766,888

The authorised share capital of the company amounts to €30,000,000 made up of 60,000,000 ordinary shares of €0.50 each. The amount presented in the statement of financial position in relation to issued share capital is net of share issue expenses amounting to €433,112.

In accordance with the company's Memorandum and Articles of Association, each ordinary share gives the right to one voting right, participates equally in profits distributed by the company and carries equal rights.

8. Revaluation reserve

	2017 €	2016 €
Revaluation of land and buildings		
At beginning of year	5,749,064	5,817,505
Revaluation surplus arising during the year	13,800,000	-
Deferred income taxes on revaluation surplus arising during the year	(4,830,000)	-
Transfer to retained earnings	(68,441)	(68,441)
At end of year	14,650,623	5,749,064

The tax impact relating to components of other comprehensive income is presented in the table above. The revaluation reserve is non-distributable.

9. Trade and other payables

	2017 €	2016 €
Current		
Trade payables	301,655	116,266
Payables in respect of capital expenditure	15,777	21,434
Other payables	368,679	289,670
Indirect taxation	537,035	517,187
Accruals and other deferred income	407,293	404,366
Deferred income in respect of billing in advance	1,556,341	1,480,736
	3,186,780	2,829,659
Non-current		
Other payables	756,339	726,391

Non-current other payables represent deposits affected under operating lease arrangements by a number of tenants at 'The Point Shopping Mall'. These amounts are refundable at the end of the lease term and are subject to interest not exceeding 3% per annum. Amounts owed to related parties in this respect are disclosed in Note 22.

10. Borrowings

	2017 €	2016 €
Year ended 31 December		
Cost and carrying amount at 1 January	19,977,566	21,669,416
Interest capitalised on bank loans during the year	87,578	291,440
Repayments of bank loans	(2,429,519)	(1,983,290)
	17,635,625	19,977,566
	2017 €	2016 €
Current		
Bank loans	1,792,100	-
Non-current		
Bank loans	15,843,525	19,977,566
Total borrowings	17,635,625	19,977,566

The company's banking facilities as at 31 December 2017 amounted to €17,635,625 (2016: €19,977,566). Bank borrowings are secured by a general hypothec on the company's assets and by a special hypothec over the temporary sub utile dominium of 99 years which commenced on 15 June 2000 over the parcel of land at Tigne Point developed into the shopping mall (T2). Moreover, the bank borrowings are secured by the pledge on comprehensive insurance policy covering The Point shopping mall, which covers the loans to the extent of those risks covered in the policy.

10. Borrowings - continued

As at 31 December 2016, the company had prepaid an amount of €2,696,885 in excess of the scheduled bank loan repayments. This excess was deemed to fulfil the contracted repayments scheduled for 2017.

The company's bank borrowings of €14,375,000 are subject to fixed interest rates, while the balance of €3,260,625 is subject to floating interest rates.

The weighted effective interest rates as at the end of the reporting period are as follows:

	2017	2016
Bank loans	3.61%	3.90%

	2017	2016
	€	€
Maturity of bank borrowings:		
Within one year	1,792,100	-
Between one and two years	1,797,161	122,795
Between two and five years	5,433,970	4,676,352
Over five years	8,612,394	15,178,419
	17,635,625	19,977,566

11. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%). The movement on the deferred income tax account is analysed as follows:

	2017	2016
	€	€
At beginning of year	5,425,729	5,323,158
Tax relating to components of other comprehensive income:		
- revaluation of land and buildings (Note 8)	4,830,000	-
Charged to profit or loss:		
- differences between depreciation and capital allowances on property, plant and equipment (Note 17)	115,432	102,571
At end of year	10,371,161	5,425,729

11. Deferred taxation - continued

The deferred tax liability as at 31 December represents:

	2017 €	2016 €
Temporary differences arising on fair valuation of property	8,527,850	3,697,850
Temporary differences arising between tax base and carrying amount of property, plant and equipment	1,843,311	1,727,879
	10,371,161	5,425,729

The recognised deferred tax liabilities are expected to be settled principally after more than twelve months from the end of the reporting period.

12. Revenue

The company's revenue was principally derived from operating lease rental income attributable to retail outlets in 'The Point Shopping Mall' together with the provision of related services, which operation constitutes the sole operating segment of the company. Revenues from transactions with four customers, amount to €828,204 (2016: €640,946), €751,667 (2016: €769,448), €676,301 (2016: €647,447) and €650,052 (2016: €643,395), each representing more than 10% of the company's revenues. Variable rents linked to tenant sales performance recognised in profit during the current financial year amounted to €301,089 (2016: €307,446).

13. Expenses by nature

	2017 €	2016 €
Employee benefit expense (Note 14)	79,945	76,511
Directors' fees (Note 18)	70,051	68,230
Depreciation of property, plant and equipment (Note 4)	1,450,068	1,459,646
Advertising and business promotion expenses	100,106	80,000
Ground rent	76,000	76,000
Service charge expenditure – shortfall	83,024	80,700
Other expenses	186,388	194,231
Total cost of sales and administrative and other expenses	2,045,582	2,035,318

Motor vehicle operating lease charges and similar expenses, prior to amounts recharged to tenants as service charges, recognised in profit and loss during the current financial year amounted to €32,078 (2016: €24,758).

13. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered relate to the following:

	2017	2016
	€	€
Annual statutory audit	12,600	10,000
Tax compliance services	310	590
Tax advisory services	6,720	7,260
	19,630	17,850

14. Employee benefit expense

	2017	2016
	€	€
Wages and salaries	217,334	224,635
Social security costs	11,435	11,901
Maternity Fund contribution	370	385
	229,139	236,921
Less amounts recharged to tenants as service charges	(149,194)	(160,410)
	79,945	76,511

Average number of persons employed by the company during the year:

	2017	2016
Operational	1	2
Administration	4	4
	5	6

15. Finance income

	2017	2016
	€	€
Interest charged to debtors on overdue balances	1,804	3,446
	1,804	3,446

16. Finance costs

	2017 €	2016 €
Bank interest payable	679,245	802,817
Interest on tenant deposits	22,179	23,168
Other charges	19,365	678
	720,789	826,663

17. Tax expense

	2017 €	2016 €
Current tax expense	946,864	909,563
Deferred tax expense (Note 11)	115,432	102,571
	1,062,296	1,012,134

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2017 €	2016 €
Profit before tax	3,380,671	3,058,585
Tax on profit at 35%	1,183,235	1,070,505
Tax effect of:		
Expenses not deductible for tax purposes	206,783	210,621
Application of the tax rules applicable to leasing of commercial tenements	(327,722)	(268,992)
Tax expense	1,062,296	1,012,134

During March 2016, the Budget Measures Implementation Act, 2016 (ACT No. XV of 2016) came into effect. Through this legislation, landlords were granted the option of taxing rental income, derived from the leasing of any tenement including commercial and clubs, at a final withholding tax at a rate of 15% on the gross rental income. The substance of the change in legislation is that although the company continues to be subject to income tax at the corporate tax rate of 35%, the effective tax rate in any given year is reduced to a lower rate if a lower tax charge is produced by multiplying the gross rental income by 15%.

18. Directors' emoluments

	2017 €	2016 €
Directors' fees	70,051	68,230

19. Earnings per share

	2017	2016
Net profit attributable to equity holders of the company	€2,318,375	€ 2,046,451
Weighted average number of ordinary shares in issue	56,400,000	56,400,000
Earnings per share (Euro cents)	4.11	3.63

The Company has no instruments or arrangements which give rise to dilutive potential ordinary shares, and accordingly diluted earnings per share is equivalent to basic earnings per share.

20. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2017	2016
	€	€
Operating profit	4,099,656	3,881,802
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	1,450,068	1,459,646
Movement in provision for doubtful debts	(8,618)	15,309
Changes in working capital:		
Trade and other receivables	(273,652)	(120,595)
Trade and other payables	387,069	(61,712)
Cash generated from operations	5,654,523	5,174,450

21. Commitments

Operating lease commitments - where the company is a lessor

The future minimum lease payments receivable under non-cancellable operating leases entered into by the company in relation to operations from The Point Shopping Mall are as follows:

	2017	2016
	€	€
Not later than 1 year	5,263,219	5,623,801
Later than 1 year and not later than 5 years	12,368,764	15,446,549
Later than 5 years	6,305,036	8,493,338
	23,937,019	29,563,688

The operating lease agreements entered into by the company with the tenants of the shopping mall typically run for a significant number of years. These contracts generally provide that the lease payments increase by a predetermined percentage every year, which increases have been reflected in the figures above. A significant number of these arrangements also provide for contingent rentals based on outlet turnover levels.

21. Commitments - continued

Operating lease commitments - where the company is a lessee

The future minimum lease payments payable under non-cancellable motor vehicle operating leases and minimum payments under similar arrangements (maintenance services) are as follows:

	2017	2016
	€	€
Not later than 1 year	9,540	9,540
Later than 1 year and not later than 5 years	9,111	18,651
	18,651	28,191

The company has other commitments as referred to in Note 4.

22. Related party transactions

Mapfre MSV Life p.l.c., HSBC Life Assurance Ltd and Bank of Valletta p.l.c., by virtue of the extent of their shareholding in the company, are considered to be related parties. All companies owned or controlled by these entities, together with all companies forming part of the same group companies of which the shareholders form part, are also deemed to be related parties.

Tigné Mall p.l.c.'s Directors, close members of their families and all entities owned or controlled by these individuals, are considered to be related parties of Tigné Mall p.l.c.

Principal balances held with parties considered as related parties

	31 December	
	2017	2016
	€	€
Bank borrowings	17,635,625	19,977,566

Principal transactions with parties considered as related parties

	Year ended 31 December	
	2017	2016
	€	€
Bank interest payable	(679,245)	(802,817)
Bank charges	(19,365)	(678)
	22,255	21,525

The company also enters into other transactions with other related parties, such as the placement of insurance risks, but the related transaction amounts are not considered to have a material impact on the financial results and financial position of the company.

22. Related party transactions - continued

Fees payable to the Directors are disclosed in Note 18 in these financial statements.

In the opinion of the Directors, all related party transactions have been carried out on an arm's length basis taking cognisance of normal commercial terms.

23. Dividend

A dividend in respect of the year ended 31 December 2017 of €0.012875 (2016: €0.0125) per share, amounting to €726,150 (2016: €705,000) was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statements do not reflect the dividend proposed after 31 December 2017. During the year, the company paid an interim dividend of €726,150 (€0.012875 per share).

24. Statutory information

Tigné Mall p.l.c. is a public limited company and is domiciled and incorporated in Malta.