

Hili Properties p.l.c.

Report & Financial Statements

31 December 2020

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Hili Properties p.l.c.

Directors, officer and other information

Directors: Pier Luca Demajo (Chairman, appointed 1 September 2020)
Richard Abdilla Castillo (resigned 10 July 2020)
Sandra Murniece (resigned 19 May 2020)
Victor Tedesco (resigned 15 January 2020)
Georgios Kakouras (appointed 17 August 2020)
David Aquilina
Peter Hili
Geoffrey Camilleri (resigned 4 January 2021)
Eddy Vermeir (appointed 4 January 2021)
Laragh Cassar

Secretary: Melanie Miceli Demajo

Registered office: Nineteen Twenty-Three,
Valletta Road,
Marsa MRS 3000
Malta.

Country of incorporation: Malta

Company registration number: C 57954

Auditor: Grant Thornton,
Fort Business Centre
Triq L-Intornjatur, Zone 1,
Central Business District,
Birkirkara CBD 1050,
Malta

Bankers: Bank of Valletta p.l.c.,
BOV Centre,
St. Venera,
Malta

HSBC Bank Malta p.l.c.,
HSBC Head Office,
Mill Street,
Qormi,
Malta

Swedbank AB,
Balasta dambis 1A,
LV-1048 Riga,
Latvia

Luminor Bank AS,
Skanstes iela 12,
Vidzemes priekšpilsēta,
LV-1013 Riga,
Latvia

Hili Properties p.l.c.

Directors, officer and other information (continued)

MeDirect Bank (Malta) p.l.c.
The Centre, Tigné Point,
Sliema,
Malta

Banca Comerciala Romana
Calea Victoriei nr.15, Sector 3,
030023, Bucharest
Romania

BRD – Groupe Société Générale S.A.
Bdul Ion Mihalache nr. 1-7,
0111171, Bucharest
Romania

Legal advisor:

GVZH Advocates,
192, Old Bakery Street,
Valletta,
Malta

Hili Properties p.l.c.

Directors' report

Year ended 31 December 2020

The directors present their report and the audited financial statements of the Hili Properties p.l.c. group and holding company for the year ended 31 December 2020.

Principal activities

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

Performance review

The group has registered an operating profit of *Eur4,981,228* as compared to *Eur6,048,802* in the previous year. The decline in the operating profits in the year under review is attributable to a disposal of a subsidiary in December 2019, which was not replaced in the current year.

During the year under review, the group engaged external valuers for the assessment of all the investment properties in its portfolio. This was performed to ensure that the values in the accounts reflect the impacts, if any of the ongoing pandemic. Following this exercise, the group registered net investment income of *Eur3,575,024* (2019: *Eur3,941,529*).

The group registered a profit before tax from continuing operations of *Eur5,212,207* (2019: *Eur6,232,627*). The net assets of the group at the end of 2020 amounted to *Eur62,675,082* (2019: *Eur57,635,190*).

During 2020, the company registered a loss before tax of *Eur1,465,464* (2019: profit before tax of *Eur3,544,878*).

The net assets of the company at the end of the year amounted to *Eur40,827,142* (2019: *Eur41,348,095*).

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

Financial performance

The group measures its performance based on EBITDA, which is defined as the group's profit before depreciation and amortisation, finance income/costs, net investment income/losses and taxation. The EBITDA for the year under review was *Eur5,139,504* as compared to *Eur6,199,237* in the previous year. The decrease in EBITDA in the current year of 17% arises primarily from EBITDA on income generating assets that were disposed in 2019 and not replaced in 2020 (net effect of around *Eur564,000*). In addition, higher professional fees were also incurred in 2020 when compared to the previous year which contributed to the lower EBITDA levels when comparing to 2019.

Interest cover for the group is at 1.5 times in 2020 (2019: 1.6 times).

The gearing ratio of the group is monitored on an ongoing basis. The group's gearing ratio, defined as total debt less cash divided by total equity, stands at 54% compared to 56% in the previous year. The decreased gearing was attributable to the repayment of bank borrowings following the disposal of a subsidiaries in the current and previous years.

Hili Properties p.l.c.

Directors' report (continued)

Year ended 31 December 2020

Performance review (continued)

Non-financial performance

Properties occupancy was at 95% as of 31 December 2020 (2019: 94%). This refers to the ratio of leased investment properties in square metres to the total owned investment properties in square metres. The WALT (Weighted Average Lease Term) for the whole portfolio stands at 9.3 years (2019: 7.8yrs).

Principal risks and uncertainties

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

Market and competition

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

International exposure risk

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

Fluctuations in property values

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

Significant judgement and estimates

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

Hili Properties p.l.c.

Directors' report (continued)

Year ended 31 December 2020

Principal risks and uncertainties (continued)

Financial risk management

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

Non-Financial Statement

Environmental matters

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

Employee matters

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

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

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

Hili Properties p.l.c.

Directors' report (continued)

Year ended 31 December 2020

Principal risks and uncertainties (continued)

Non-Financial Statement (continued)

Respect for human rights

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

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

Anti-corruption and bribery matters

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

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

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

Result and dividends

The result for the year ended 31 December 2020 is shown in the statement of profit or loss and other comprehensive income on page 14. The group registered a profit after tax of *Eur4,096,672* (2019: *Eur5,453,403*). The holding company registered a loss after tax of *Eur1,712,953* (2019: *profit after tax Eur2,373,970*). No dividends were declared during the years ended 31 December 2020 and 2019.

Hili Properties p.l.c.

Directors' report (continued)

Year ended 31 December 2020

Effects of COVID-19 Pandemic

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the group and its stakeholders. The group's financial performance for 2020 is consistent with that of 2019. The group's operations have not been materially affected and the group has confirmed to the market that the upcoming bond interest payments in 2021 will be honoured in full. The financial statements do not include any adjustments that may be required should the group not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

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

These events have had a significant impact on the economy during 2020 and although a number of tenants may be in difficult financial circumstances, there has not been any significant impact on the recoverability of its receivables from its customers.

Events after the end of the reporting period

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

Likely future business developments

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

Hili Properties p.l.c.

Directors' report (continued)

Year ended 31 December 2020

Directors

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

Pier Luca Demajo (Chairman, appointed 1 September 2020)

Richard Abdilla Castillo (resigned 10 July 2020)

Sandra Murniece (resigned 19 May 2020)

Victor Tedesco (resigned 15 January 2020)

Georgios Kakouras (appointed 17 August 2020)

David Aquilina

Peter Hili

Geoffrey Camilleri (resigned 4 January 2021)

Eddy Vermeir (appointed 4 January 2021)

Laragh Cassar

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

Going concern

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

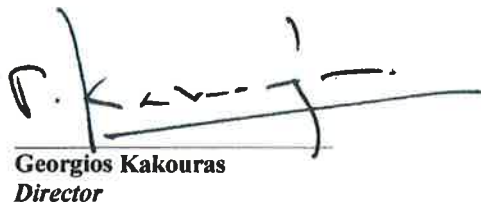
Auditor

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

Approved by the board of directors and signed on its behalf on 28th April 2021 by:



Pier Luca Demajo
Chairman



Georgios Kakouras
Director

Hili Properties p.l.c.

Statement of directors' responsibilities

Year ended 31 December 2020

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

In preparing the financial statements, the directors should:


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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

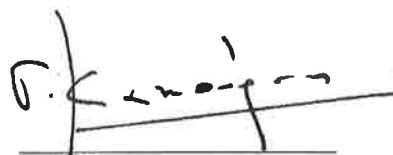
Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2020 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Pier Luca Demajo
Chairman



Georgios Kakouras
Director

Hili Properties p.l.c.

Corporate Governance Statement

Introduction

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

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

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

Additionally, the Board recognises that, by virtue of Listing Rule 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.7.

The Board of Directors

The Board of Directors of the company is responsible for the overall long-term direction of the company, in particular in being actively involved in overseeing the systems of control and financial reporting and that the company communicates effectively with the market.

The Board of Directors meets regularly, with a minimum of four times annually, and is currently composed of seven members. Three of the members, being Mr David Aquilina, Mr Pier Luca Demajo and Ms Laragh Cassar are independent from the company or any other related companies.

The members of the board are the following:

Executive Director

Georgios Kakouras

Non-Executive Directors

Peter Hili

Richard Abdilla Castillo (resigned 10 July 2020)

Geoffrey Camilleri (resigned 4 January 2021)

Eddy Vermeir (appointed 4 January 2021)

Independent Non-Executive Directors

David Aquilina

Laragh Cassar

Pier Luca Demajo (appointed 1 September 2020)

Hili Properties p.l.c.

Corporate Governance Statement

Remuneration Statement

The Board of Directors (continued)

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

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

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

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

Audit Committee

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

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

David Aquilina (Chairman)
Peter Hili
Laragh Cassar

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

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

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

Hili Properties p.l.c.

Corporate Governance Statement (continued)

Audit Committee (continued)

The Audit Committee met four times during 2020. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

Internal Control

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

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

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

Corporate Social Responsibility

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

Relations with the market

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

Hili Properties p.l.c.

Corporate governance statement (continued)

Environmental matters

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

Non-compliance with the code

Principle 7: Evaluation of the board's performance

Under the present circumstances, the board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the board's performance is always under scrutiny of the shareholders of the company.

Principle 8: Committees

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

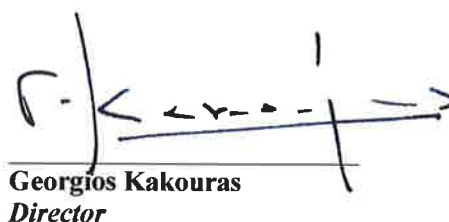
Principle 10: Institutional shareholders

This principle is not applicable since the company has no institutional shareholders.

Approved by the Board of Directors and signed on its behalf on 28th April 2021 by:



Pier Luca Demajo
Chairman



Georgios Kakouras
Director

Hili Properties p.l.c.

Statements of profit or loss and other comprehensive income Year ended 31 December 2020

		Group		Holding company	
	Notes	2020 Eur	2019 Eur	2020 Eur	2019 Eur
Continuing operations					
Revenue	6	7,740,929	8,745,126	159,500	199,370
Cost of sales		(461,172)	(598,153)	-	-
Other operating income	7	371,668	407,776	7,499	1,006,325
Other operating expenses		(2,886)	(339,692)	-	-
Administrative expenses		(2,667,311)	(2,166,255)	(1,397,579)	(868,921)
Operating profit		4,981,228	6,048,802	(1,230,580)	336,774
Gain on disposal of subsidiary	34	200,000	-	-	4,572,546
Investment income	8	4,184,400	4,314,658	863,320	-
Investment losses	9	(809,376)	(373,129)	-	-
Net investment income		3,575,024	3,941,529	863,320	4,572,546
Finance income	10	181,644	192,526	935,214	756,132
Finance costs	11	(3,525,689)	(3,950,230)	(2,033,418)	(2,120,574)
Profit/ (loss) before tax	12	5,212,207	6,232,627	(1,465,464)	3,544,878
Income tax expense	15	(1,115,535)	(779,224)	(247,489)	(1,170,908)
Profit / (loss) for the year from continuing operations		4,096,672	5,453,403	(1,712,953)	2,373,970
Other comprehensive income/ (expense)					
Exchange differences on translation of foreign operations		(5,286)	-	-	-
Total comprehensive income/ (expense) for the year		4,091,386	5,453,403	(1,712,953)	2,373,970
Profit attributable to:					
Owners of the company		3,984,256	5,246,861		
Non-controlling interests		112,416	206,542		
		4,096,672	5,453,403		
Total comprehensive income attributable to:					
Owners of the company		3,978,970	5,246,861		
Non-controlling interests		112,416	206,542		
		4,091,386	5,453,403		

Hili Properties p.l.c.

Statements of financial position

31 December 2020

		Group		Holding company	
	Notes	2020 Eur	2019 Eur	2020 Eur	2019 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Intangible assets	16	15,997	16,443	15,665	15,665
Property, plant and equipment	17	79,539	194,147	3,295	4,611
Investment property	19	105,199,156	109,903,893	5,450,000	4,559,890
Property held for sale	23	7,735,151	3,774,413	-	-
Investment in subsidiaries	20	-	-	29,977,245	29,977,245
Deposit on acquisition of investments	21	24,500,000	24,500,000	24,500,000	24,500,000
Loans and receivables	22	5,231,333	1,231,333	19,425,714	18,401,920
Trade and other receivables	24	122,637	116,736	-	-
Deferred tax assets	30	295,687	295,687	-	-
Right-of-use asset	18	148,648	30,609	-	-
Restricted cash	32	1,582,998	1,191,606	-	-
		<u>144,911,147</u>	<u>141,254,866</u>	<u>79,371,919</u>	<u>77,459,331</u>
Current assets					
Loans and receivables	22	52,565	140,084	9,251,983	5,628,618
Trade and other receivables	24	1,604,494	1,715,878	406,098	430,544
Current tax assets		12,420	225,967	-	221,617
Cash in bank and on hand	32	3,058,382	7,141,099	629,986	4,926,420
		<u>4,727,861</u>	<u>9,223,028</u>	<u>10,288,067</u>	<u>11,207,199</u>
Total assets		<u>149,639,008</u>	<u>150,477,894</u>	<u>89,659,986</u>	<u>88,666,530</u>
Current liabilities					
Trade and other payables	25	3,125,164	3,344,553	1,685,076	1,992,994
Other financial liabilities	26	10,600	551,576	2,821,073	3,636,645
Lease liability	28	33,938	28,773	-	-
Bank loans and overdrafts	27	5,284,907	3,486,726	-	-
Current tax liability		815,020	694,690	177,313	177,184
		<u>9,269,629</u>	<u>8,106,318</u>	<u>4,683,462</u>	<u>5,806,823</u>
Non-current liabilities					
Other financial liabilities	26	1,828,802	3,380,183	7,048,962	4,721,802
Bank loans	27	35,556,012	41,866,379	-	-
Other payables	25	405,720	398,017	-	-
Debt securities in issue	29	36,632,828	36,556,201	36,632,828	36,556,201
Lease liability	28	117,579	2,405	-	-
Deferred tax liabilities	30	3,153,356	2,533,202	467,592	233,609
		<u>77,694,297</u>	<u>84,736,387</u>	<u>44,149,382</u>	<u>41,511,612</u>
Total liabilities		<u>86,963,926</u>	<u>92,842,704</u>	<u>48,832,844</u>	<u>47,318,435</u>
Net assets		<u>62,675,082</u>	<u>57,635,190</u>	<u>40,827,142</u>	<u>41,348,095</u>

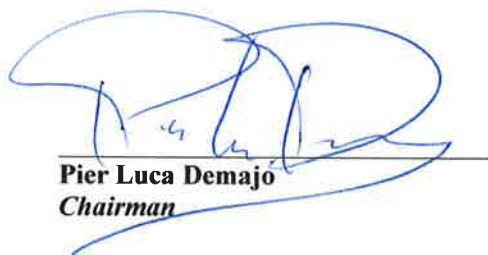
Hili Properties p.l.c.

Statements of financial position (continued)

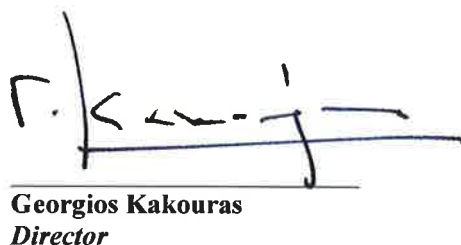
31 December 2020

		Group		Holding company	
		2020	2019	2020	2019
		Eur	Eur	Eur	Eur
EQUITY					
Share capital	31	41,592,000	40,400,000	41,592,000	40,400,000
Legal reserve		144,938	144,938	-	-
Loss offset reserve		748,427	748,427	748,427	748,427
Foreign exchange reserve		(260,383)	(255,097)	-	-
Retained earnings/ accumulated (losses)		20,054,995	16,082,568	(1,513,285)	199,668
Equity attributable to owners of the company		62,279,977	57,120,836	40,827,142	41,348,095
Non-controlling interests		395,105	514,354	-	-
Total equity		62,675,082	57,635,190	40,827,142	41,348,095

These financial statements were approved by the board of directors, authorised for issue on 28th April 2021 and signed on its behalf by:



Pier Luca Demajo
Chairman



Georgios Kakouras
Director

Hili Properties p.l.c.

Statement of changes in equity

Year ended 31 December 2020

Group	Share capital Eur	Loss offset reserve Eur	Legal reserve Eur	Foreign exchange reserve Eur	Retained Earnings Eur	Attributable to owners of the parent Eur	Non- controlling Interest Eur	Total Eur
Balance at 1 January 2019	40,400,000	748,427	103,920	(255,097)	10,936,668	51,933,918	307,811	52,241,729
Profit for the year	-	-	-	-	5,246,861	5,246,861	206,543	5,453,404
Transfer to legal reserve	-	-	41,018	-	(41,018)	-	-	-
Price adjustment in relation to prior year acquisition	-	-	-	-	(59,943)	(59,943)	-	(59,943)
Balance at 1 January 2020	40,400,000	748,427	144,938	(255,097)	16,082,568	57,120,836	514,354	57,635,190
Loans capitalised	1,192,000	-	-	-	-	1,192,000	-	1,192,000
Profit for the year	-	-	-	-	3,984,256	3,984,256	112,416	4,096,672
Other comprehensive expense	-	-	-	(5,286)	-	(5,286)	-	(5,286)
Transfer of minority interest during the year	-	-	-	-	(11,829)	(11,829)	(231,665)	(243,494)
Balance at 31 December 2020	41,592,000	748,427	144,938	(260,383)	20,054,995	62,279,977	395,105	62,675,082

Hili Properties p.l.c.

Statement of changes in equity

Year ended 31 December 2020

Holding company

	Share capital Eur	Loss offset reserve Eur	Accumulated losses Eur	Total Eur
Balance at 1 January 2018	40,400,000	748,427	(2,174,302)	38,974,125
Total comprehensive income for the year	-	-	2,373,970	2,373,970
Balance at 1 January 2019	40,400,000	748,427	199,668	41,348,095
Loans capitalised	1,192,000	-	-	1,192,000
Total comprehensive income for the year	-	-	(1,712,953)	(1,712,953)
Balance at 31 December 2020	41,592,000	748,427	(1,513,285)	40,827,142

Hili Properties p.l.c.

Statements of cash flows

Year ended 31 December 2020

	Group		Holding company	
Notes	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Cashflows from operating activities				
Profit/(loss) before tax	5,212,207	6,232,628	(1,465,464)	3,544,878
Adjustments for :				
Unrealised exchange losses	99,435	85,680	-	-
Bad debts written off	4,850	16,947	-	-
Depreciation of property, plant and equipment	109,366	122,183	750	3,701
Depreciation on right-of-use-asset	48,908	28,255	-	-
Amortisation of bond issue costs	76,627	76,627	76,627	76,627
Amortisation of intangible assets	469	459	-	-
Interest expense	3,349,627	3,787,923	1,956,791	2,043,947
Interest income	(181,644)	(192,526)	(935,214)	(756,132)
Increase in fair value of investment property	(4,184,400)	(4,314,658)	(863,320)	-
Decrease in fair value of investment property	574,851	343,817	-	-
Other fair value movements	-	192,526	-	-
Derivative financial instruments	(4,525)	(204,322)	-	-
Gain on disposal of subsidiary	(200,000)	-	-	(4,572,546)
	4,905,771	6,175,538	(1,229,830)	340,475
Movement in trade and other receivables	(303,412)	(108,344)	24,446	(275,844)
Movement in trade and other payables	(73,349)	(1,342,793)	(124,010)	1,110,918
Cashflows from operations	4,529,010	4,724,401	(1,329,394)	1,175,549
Income tax paid	(520,302)	(1,060,604)	(13,389)	(488,244)
Interest paid	(3,685,849)	(3,458,011)	(1,665,000)	(1,665,000)
Net cash flows from(used in) operating activities	322,859	205,786	(3,007,783)	(977,695)

Hili Properties p.l.c.

Statements of cash flows (continued)

Year ended 31 December 2020

	Group	Group	Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Cashflows from investing activities				
Proceeds from the sale of investment property	3,914,000	4,045,000	-	-
Additions to investment property	(1,099,355)	(3,671,293)	(26,790)	(25,034)
Proceeds from sale of subsidiary	1,858,726	7,146,031	-	7,146,031
Security deposit received/ (returned)	(7,703)	390,049	-	-
Purchase of intangible assets	(23)	(200)	-	-
Purchase of property, plant and equipment	(5,231)	(1,682)	566	(1,682)
Interest received	181,644	-	935,214	756,132
Advances from (paid to) related parties	(254,067)	144,908	(254,067)	(3,264,357)
Net cash flows from investing activities	4,587,991	8,052,813	654,922	4,611,090
Cashflows from financing activities				
Proceeds from the issue of share capital	-	-	-	-
Proceeds from banks	132,179	4,597,831	-	-
Repayment of bank loans	(4,608,461)	(5,535,039)	-	-
Transfer of restricted cash	(392,523)	(360,428)	-	-
Proceeds from related parties	(4,097,990)	(2,704,983)	(1,943,572)	1,275,266
Payments to third parties	(21,485)	-	-	-
Net cash flows from financing activities	(8,988,281)	(4,002,619)	(1,943,572)	1,275,266
Net movement	(4,077,431)	4,255,981	(4,296,433)	4,908,661
Foreign exchange on cash and cash equivalents	(5,286)	-	-	-
Cash and cash equivalents at the beginning of the year	7,141,099	2,885,119	4,926,420	17,759
Cash and cash equivalents at the end of the year	3,058,382	7,141,099	629,986	4,926,420

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Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

1. Company information and basis of preparation

Hili Properties p.l.c. ('the holding company' or 'the company') is a public limited company incorporated and domiciled in Malta with registration number C57954. The principal activity of Hili Properties p.l.c. and its subsidiaries ('the group') is to hold and rent immovable property. As disclosed in note 29, the company has issued bonds which are listed on the Malta Stock Exchange. The registered address of the company is Nineteen Twenty Three, Valletta Road, Marsa.

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

The financial statements are presented in euro (€), which is also the functional currency of the company and the group.

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation to safeguard the interests of the group and its stakeholders. The group's financial performance for 2020 is consistent with that of 2019. The group's operations have not been materially affected and the group has confirmed to the market that the upcoming bond interest payments in 2021 will be honoured in full. The financial statements do not include any adjustments that may be required should the group not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

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

These events have had a significant impact on the economy during 2020 and although a number of tenants may be in difficult financial circumstances, there has not been any significant impact on the recoverability of its receivables from its customers.

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

1. Company information and basis of preparation (continued)

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

Basis of consolidation

Acquisition of subsidiaries

The group's consolidated financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries have a reporting date of 31 December.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Business combinations

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

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

Non-controlling interest

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Investment in subsidiaries

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

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

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

Intangible assets

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

Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Intangible assets (continued)

Computer software

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

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

Property, plant and equipment

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

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

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

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

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is revalued annually and is stated at fair value in the statement of financial position at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise. The group assesses the value of the investment property annually whereby external valuations are sought every 3 years and internal valuations are done intermittently. During the year under review the group engaged external valuers for the assessment of all the investment properties in its portfolio. This was performed to ensure that the values in the accounts reflect the impacts, if any of the ongoing pandemic.

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

Property held for sale

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Leased assets – The Group as a Lessee

For any new contracts entered into the group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group;
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the group has the right to direct the use of the identified asset throughout the period of use. The group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Leased assets – The Group as a Lessee (continued)

(i) Measurement and recognition of leases

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

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

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

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

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Leased assets – The Group as a Lessee (continued)

(i) Measurement and recognition of leases (continued)

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

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

Financial instruments

(i) Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial instruments (continued)

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

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

In the periods presented the group does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

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

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

(iii) Subsequent measurement of financial assets

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash in bank and on hand, loans and receivables, trade and most other receivables fall into this category of financial instruments.

(iv) Impairment of financial assets

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

(v) Loans receivables and trade and other receivables

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial instruments (continued)

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

(vi) Classification and measurement of financial liabilities

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

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

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

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable.

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

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

The following specific recognition criteria must also be met before revenue is recognised:

(i) Provision of services

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Rental income

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

(iii) Interest income

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

Administrative expenses

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

Borrowing costs

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

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Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Employee benefits

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

Foreign currency translation

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

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

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

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Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Cash in bank and on hand

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

Provisions, contingent assets and contingent liabilities

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

Any reimbursement that the group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

Equity and reserves

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

Other components of equity include the following:

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

Retained earnings/ (accumulated losses) includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

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Notes to the financial statements

31 December 2020

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

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

Fair value of investment properties

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

During 2020, external market valuations were obtained for all of the property portfolio held by the group. These external valuations were based using the discounted cash flow technique using the applicable discount rate and market yields as discussed below.

Based on this assessment, the directors are of the opinion that the fair value determined is an appropriate estimate of the fair value at 31 December 2020. Movements in fair value are disclosed in notes 8, 9 and 19.

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

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

Investments in subsidiaries

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

Recognition of deferred tax assets

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

4. New or revised Standards or Interpretations

4.1 New standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the group's financial results or position. Accordingly, the group has made no changes to its accounting policies in 2020.

Other Standards and amendments that are effective for the first time in 2020 and could be applicable to the group are:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these financial statements and therefore no additional disclosures have not been made.

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Notes to the financial statements

31 December 2020

4. New or revised Standards or Interpretations (continued)

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

At the date of authorisation of these financial statements, several new, but not yet effective Standards, amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. These new Standards, amendments and interpretations are not expected to have a material impact on the group's consolidated financial statements.

5. Segment information

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

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

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

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

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

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

Measurement of operating segment profit or loss, assets and liabilities

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

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

Profit before taxation

	2020	2019
	Eur	Eur
Total profit for reportable segments	7,781,388	10,737,510
Elimination of inter segment profits	(457,824)	(2,989,031)
Unallocated amounts:		
Revenue	69,500	110,112
Administrative expenses	(1,488,101)	(1,123,264)
Investment Income	-	1,319,031
Finance costs	(1,741,627)	(1,741,627)
Other unallocated	1,048,872	(80,103)
	5,212,207	6,232,627

Included in revenue arising from rental of investment property in Romania are revenues of *Eur*1,316,258 (2019: *Eur*1,296,276) which arose from the group's largest customer. Another customer, located in Latvia, contributed to 16% of the group's revenue for 2020 amounting to *Eur*1,218,069 (2019: *Eur*1,275,699). No other single customer contributed to 10% or more of the group's revenue for both 2020 and 2019.

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

Assets

	2020 Eur	2019 Eur
Total assets for reportable segments	130,146,840	128,449,304
Elimination of inter segment receivables	(44,443,410)	(43,140,662)
Unallocated amounts:		
Non-current assets held for sale	29,950,000	29,059,890
Other financial assets	15,665	16,575
Loans and receivables	32,916,721	30,418,537
Trade and other receivables	418,486	521,505
Current tax asset	-	221,617
Cash and cash equivalents	629,986	4,926,420
Other unallocated amounts	4,720	4,709
	149,639,008	150,477,894

Liabilities

	2020 Eur	2019 Eur
Total liabilities for reportable segments	74,655,947	75,304,752
Elimination of inter segment payables	(49,828,542)	(44,380,124)
Unallocated amounts:		
Trade and other payables	14,669,251	1,480,733
Other financial liabilities	10,189,540	23,470,348
Current tax liabilities	177,312	177,184
Bank borrowings	-	-
Debt securities in issue	36,632,828	36,556,201
Deferred tax liabilities	467,590	233,610
Other unallocated amounts	-	-
	86,963,926	92,842,703

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

2020	Malta 2020 Eur	Latvia 2020 Eur	Estonia 2020 Eur	Lithuania 2020 Eur	Romania 2020 Eur	Total 2020 Eur	Unallocated 2020 Eur	Eliminations and Adjustments 2020 Eur	Consolidated 2020 Eur
Revenue	1,551,486	3,679,701	109,996	282,230	2,553,192	8,176,604	90,000	(525,675)	7,740,929
Unrealised exchange losses	-	-	-	-	99,435	99,435	-	-	99,435
Profit before tax	2,804,866	3,339,240	91,442	497,336	1,048,502	7,781,386	(1,943,768)	(625,411)	5,212,207
Depreciation and amortisation	95,055	13,043	-	-	800	108,897	108,897	-	217,795
Investment income	1,497,936	2,437,006	-	-	166,195	4,101,138	863,320	(780,057)	4,184,400
Investment losses	-	(809,376)	-	-	-	(809,376)	-	-	(809,376)
Finance income	252,658	361,578	7,445	6,329	(1,598)	626,412	1,103,541	(1,549,911)	180,041
Finance costs	(206,301)	(1,160,920)	-	(27,702)	(1,091,152)	(2,486,075)	(2,589,525)	1,549,911	(3,525,689)
Segment assets	34,886,813	48,768,561	2,139,776	5,082,005	39,269,685	130,146,840	63,935,578	(44,443,410)	149,639,008
Investment property	25,100,000	31,239,127	1,700,000	4,860,000	36,850,028	99,749,156	5,450,000	-	105,199,155

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

2020	Malta 2020 Eur	Latvia 2020 Eur	Estonia 2020 Eur	Lithuania 2020 Eur	Romania 2020 Eur	Total 2020 Eur	Unallocated 2020 Eur	Eliminations and Adjustments 2020 Eur	Consolidated 2020 Eur
Additions to Investment property	128,039	74,590	-	-	869,936	1,072,565	26,790	-	1,099,355
Additions to deposit on acquisition of investment	-	-	-	-	-	-	-	-	-
Segment liabilities	12,395,049	33,011,003	943,502	2,783,392	25,523,001	74,655,947	62,136,521	(49,828,542)	86,963,925
Income tax (expense)/credit	(556,555)	(50,001)	-	(78,439)	(183,051)	(868,046)	(247,489)	-	(1,115,535)

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

2019	Malta 2019 Eur	Latvia 2019 Eur	Estonia 2019 Eur	Lithuania 2019 Eur	Romania 2019 Eur	Total 2019 Eur	Unallocated 2019 Eur	Eliminations and Adjustments 2019 Eur	Consolidated 2019 Eur
Revenue	2,117,657	3,501,034	109,996	274,010	2,653,171	8,655,868	89,258	-	8,745,126
Unrealised exchange exchange losses	-	-	-	-	85,650	85,650	-	-	85,650
Profit before tax	601,491	2,367,295	84,668	170,610	3,089,123	6,313,187	3,012,534	(3,093,094)	6,232,627
Depreciation and amortisation	(123,028)	(22,433)	-	-	(816)	(146,277)	(3,701)	-	(149,978)
Investment income	131,602	628,973	-	-	1,936,296	2,696,871	4,572,546	(4,572,546)	2,696,871
Investment losses	(1,330,142)	(49,312)	-	-	-	(1,379,454)	-	1,006,325	(373,129)
Finance income	275,034	248,038	7,425	7,111	202,545	740,153	934,605	(1,482,233)	192,525
Finance costs	(324,080)	(1,121,293)	-	(32,019)	(1,269,581)	(2,746,973)	(2,685,490)	1,482,233	(3,950,230)
Segment assets	33,080,958	49,793,238	2,034,138	4,646,135	38,894,834	128,449,303	65,169,254	(43,140,662)	150,477,895
Investment property	23,474,026	39,887,190	1,700,000	4,400,000	35,882,787	105,344,003	4,559,890	-	109,903,893

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Notes to the financial statements

31 December 2020

5. Segment information (continued)

2019	Malta 2019 Eur	Latvia 2019 Eur	Estonia 2019 Eur	Lithuania 2019 Eur	Romania 2019 Eur	Total 2019 Eur	Unallocated 2019 Eur	Eliminations and Adjustments 2019 Eur	Consolidated 2019 Eur
Additions to Investment property	105,086	936,621	-	-	2,604,552	3,646,259	25,034	-	3,671,293
Segment liabilities	12,837,503	32,763,152	929,306	2,766,420	26,008,371	75,304,752	61,918,076	(44,380,123)	92,842,705
Income tax (expense)/credit	708,562	(38,293)	-	(25,591)	(253,084)	391,594	(1,170,908)	-	(779,314)

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Notes to the financial statements

31 December 2020

6. Revenue

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

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Rental income	7,740,929	8,745,126	90,000	89,258
Management fees	-	-	69,500	110,112
	7,740,929	8,745,126	159,500	199,370

7. Other operating income

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Other operating income	371,668	407,776	-	-
Income from write off of liabilities	-	-	7,499	1,006,325
	371,668	407,776	7,499	1,006,325

8. Investment income

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Increase in fair value of investment properties	4,184,400	2,895,871	863,320	-
Increase in fair value of property held for sale	-	1,418,787	-	-
	4,184,400	4,314,658	863,320	-

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Notes to the financial statements

31 December 2020

9. Investment losses

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Decrease in fair value of investment properties	574,851	343,817	-	-
Loss on disposal of investment property	-	23,700	-	-
Acquisition related costs	232,922	-	-	-
Loss on disposal of assets	-	5,612	-	-
Fair value movements during the year	1,603	-	-	-
	809,376	373,129	-	-

10. Finance income

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Interest receivable on loan to other related company	181,644	-	181,644	-
Interest receivable on amounts due from subsidiaries	-	-	753,570	756,132
Fair value movements during the year	-	192,526	-	-
	181,644	192,526	935,214	756,132

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Notes to the financial statements

31 December 2020

11. Finance costs

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Interest on bank overdrafts and loans	1,589,134	1,774,803	-	-
Interest on debt securities	1,665,000	1,665,000	1,665,000	1,665,000
<i>Interest payable on:</i>				
Amounts due to				
other related companies	86,090	87,909	86,090	86,091
Amounts due to subsidiaries	-	-	205,701	275,818
Amounts due to parent	-	17,631	-	17,038
Interest expense for leasing arrangements	4,878	2,315	-	-
Amortisation of bond issue expenses	76,627	76,627	76,627	76,627
Loss on derivative financial instrument	4,525	240,265	-	-
Foreign exchange differences	99,435	85,680	-	-
	3,525,689	3,950,230	2,033,418	2,120,574

12. Profit/(loss) before tax

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Depreciation and amortisation	109,366	122,183	12,750	3,701
Depreciation on right of use assets	48,908	28,255	-	-
Management fees charged	700,000	360,000	700,000	360,000
Legal and professional fees	524,517	425,706	209,556	56,320
Unrealised exchange losses	99,435	85,680	-	-

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Notes to the financial statements

31 December 2020

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

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

Group

Total remuneration payable to the parent company's auditors in respect of the audit of the financial statements and the undertakings included in the consolidated financial statements amounted to *Eur21,000* (2019: *Eur21,000*) and the remuneration payable to the other auditors in respect of the audits of undertakings included in the consolidated financial statements amounted to *Eur49,656* (2019: *Eur62,626*). Other fees payable to the parent company's auditors for tax services and for non-audit services other than tax services amounted to *Eur29,786* (2019: *Eur7,601*) and *Eur18,353* (2019: *Eur nil*) respectively.

Holding company

The remuneration payable to the company's auditors for the audit of the company's financial statements amounted to *Eur 12,750* (2019: *Eur12,000*). Other fees payable to the company's auditors for tax services amounted to *Eur600* (2019: *Eur3,010*).

13. Key management personnel compensation

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Directors' compensation:				
<i>Short term benefits</i>				
Fees	30,418	38,226	30,418	30,418
Remuneration	159,529	138,063	-	-
	189,947	176,289	30,418	30,418
Other key management personnel compensation				
<i>Salaries and social security contributions</i>				
	71,369	43,898	47,269	43,898
	71,369	43,898	47,269	43,898
Total directors' fees and other key management personnel	261,316	220,187	77,687	74,316

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Notes to the financial statements

31 December 2020

13. Key management personnel compensation (continued)

The group and the company incurred management fees in relation to the provision of key management personnel services amounting to *Eur700,000* (2019: *Eur360,000*). These management fees were paid to the parent company.

14. Staff costs and employee information

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
<i>Staff costs:</i>				
Wages and salaries	746,277	472,342	204,976	246,558
Social security costs	94,884	31,528	6,343	7,342
Recharged by subsidiary	-	-	-	(31,672)
Recharged to other related companies	-	(9,145)	-	-
	841,161	494,725	211,319	222,228

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

	Group		Holding company	
	2020	2019	2020	2019
	Number	Number	Number	Number
Administration	12	8	5	3
Operations	3	5	-	3
	15	13	5	6

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Notes to the financial statements

31 December 2020

15. Income tax expense

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Current tax expense	495,381	1,193,936	13,500	665,839
Consideration paid for tax losses received	-	497,419	-	497,419
Deferred tax (credit)/ expense	620,154	(912,131)	233,989	7,650
	1,115,535	779,224	247,489	1,170,908

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

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Profit before tax from continuing operations	5,212,207	6,232,628	(1,465,465)	3,544,878
Tax at the applicable rate of 35%	1,824,272	2,181,420	(512,913)	1,240,707
<i>Tax effect of:</i>				
Different tax rates of subsidiaries operating in other jurisdictions	(355,988)	(143,309)	-	-
Disallowable expenses	1,031,372	666,648	825,564	403,318
Income not chargeable to tax	(552,743)	(664,191)	-	-
Amortisation of grant income	-	(1,319)	-	-
Maintenance allowance	(66,973)	(63,264)	-	-
Income tax at 15%	(40,994)	(168,620)	(18,000)	(17,852)
Net movement in value of investment property not subject to tax	(1,064,832)	(1,363,452)	(302,162)	-
Deferred tax on revaluation of investment property	380,199	(1,182,078)	255,000	-
Other differences	57,876	(83,000)	-	(455,265)
Capital gains on disposal of shares	(96,654)	1,600,391	-	-
	1,115,535	779,224	247,489	1,170,908

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Notes to the financial statements

31 December 2020

16. Intangible assets

Holding company	Computer software Eur
Cost	
At 31 December 2020 and 2019	<u>15,665</u>
Carrying amount	
At 31 December 2020 and 2019	<u>15,665</u>
Group	Computer software Eur
Cost	
At 1 January 2020	18,010
Additions	23
At 31 December 2020	<u>18,033</u>
Accumulated amortisation	
At 1 January 2020	1,567
Provison for the year	469
At 31 December 2020	<u>2,036</u>
Carrying amount	
At 31 December 2019	<u>16,443</u>
At 31 December 2020	<u>15,997</u>

As at 31 December 2020, all intangible assets owned by the group and the company have been put into use.

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17. Property, plant and equipment

Group	Furniture, fittings and other equipment	Improvements to leasehold land	Total
	Eur	Eur	Eur
Cost			
At 1 January 2019	781,093	260,739	1,041,832
Acquired on business combination	1,682	-	1,682
Disposals	(15,960)	(12,629)	(28,589)
At 1 January 2020	766,815	248,110	1,014,925
Additions	5,231	-	5,231
Disposals	(2,020)	-	(2,020)
At 31 December 2020	770,026	248,110	1,018,136
Accumulated depreciation			
At 1 January 2019	573,584	151,756	725,340
Provision for the year	68,574	53,150	121,724
Disposals	(20,179)	(6,105)	(26,286)
At 1 January 2020	621,979	198,801	820,778
Provision for the year	68,510	49,309	117,819
At 31 December 2020	690,489	248,110	938,598
Carrying amount			
At 31 December 2019	144,836	49,309	194,147
At 31 December 2020	79,537	-	79,539

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17. Property, plant and equipment (continued)

Holding company	Furniture, fittings and other equipment
	Eur
Cost	
At 1 January 2019	18,786
Additions	1,682
At 1 January 2020	20,468
Additions	2,666
At 31 December 2020	23,134
Accumulated Depreciation	
At 1 January 2019	15,857
Provision for the period	-
At 1 January 2020	15,857
Provision for the period	3,983
At 31 December 2020	19,839
Carrying amount	
At 31 December 2019	4,611
At 31 December 2020	3,295

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18. Right-of-use asset

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

	Land EUR
Gross Carrying amount	
Adjustment on transition of IFRS 16 on 1 January 2019	58,864
At 1 January 2020	58,864
Additions	166,946
At 31 December 2020	225,810
Depreciation	
At 1st January 2019	-
Provision for the year	28,255
At 1st January 2019	28,255
Provision for the year	48,907
At 31 December 2020	77,162
Carrying amount	
At 31 December 2019	30,609
At 31 December 2020	148,648

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

The group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognized during the year and other movements in right-of-use assets is included in the above table.

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19. Investment property

Group	Retail/ Commercial Properties Eur	Office Properties Eur	Other Properties Eur	Group Total Eur
At 1 January 2019	69,211,630	41,404,393	2,400,000	113,016,023
Additions	3,497,166	118,497	55,630	3,671,293
Disposals	(152,000)	(11,688,847)	-	(11,840,847)
Increase in fair value	2,714,390	181,481	-	2,895,871
Decrease in fair value	(20,000)	(323,817)	-	(343,817)
Transferred from property held for sale	2,561,000	-	(55,630)	2,505,370
At 31 December 2019	77,812,186	29,691,707	2,400,000	109,903,893
Additions	969,458	129,897	-	1,099,355
Disposals	(1,609,600)	-	-	(1,609,600)
Increase in fair value	2,108,163	1,526,237	550,000	4,184,400
Decrease in fair value	(574,851)	-	-	(574,851)
Exchange differences	(68,889)	-	-	(68,889)
Transferred to property held for sale	(7,735,151)	-	-	(7,735,151)
At 31 December 2020	70,901,316	31,347,841	2,950,000	105,199,156

Holding

	Office Properties	Other Properties	Total
At 1 January 2019	2,134,856	2,400,000	4,534,856
Additions	25,034	-	25,034
Increase in fair value	-	-	-
At 1 January 2020	2,159,890	2,400,000	4,559,890
Additions	28,084	-	28,084
Increase in fair value	312,026	550,000	862,026
At 31 December 2020	2,500,000	2,950,000	5,450,000

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19. Investment property (continued)

Valuation techniques and inputs(continued)

	Range of significant unobservable inputs	
	Discount rate	Growth rate
	%	%
2020- Malta	7	0.5-2.8
2020- Romania	7.88-9.28	1.72-2.03
2020- Baltics	7.33-9.36	0.7-3.00
2019- Malta	7	0.10-2.76
2019- Romania	7.88-9.28	1.72-2.03
2019- Baltics	7.48-9.91	1.72-3.00

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

Operating leases – the Group as lessor

Operating leases relate to the investment property owned by the group with lease terms of between 1 to 20 years. The lessee does not have an option to purchase the property at the expiry of the lease period. The rental income earned under operating leases during the year amounted to *Eur7,740,929* (2019: *Eur8,745,126*).

Direct operating expenses amounting to *Eur461,172* (2019: *Eur598,153*) were incurred by the group and the company respectively in relation to the investment property.

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

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Notes to the financial statements

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19. Investment property (continued)

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

	Group		Holding company	
	2020 Eur	2019 Eur	2020 Eur	2019 Eur
Within one year	7,604,836	7,648,715	90,000	64,053
Between one and five years	28,113,703	25,972,925	500,000	280,947
After 5 years	35,953,990	35,081,450	-	-
	71,672,529	68,703,090	590,000	345,000

20. Investment in subsidiaries

	Eur
At 1 January 2019	32,550,729
Disposal of subsidiary	(2,573,484)
At 1 January 2020/ 31 December 2021	29,977,245

In 2019, the company disposed of its 100% of the investment in Hili Properties (Swatar) Limited for a consideration of *Eur 7,146,031*. A gain on disposal of subsidiary amounting to *Eur 4,572,546* was recognised within Investment income in the statement of profit or loss.

Details of the company's subsidiaries at 31 December 2020 and 2019 are as follows:

	Proportion of ownership interest %
Hili Estates Holdings Company Limited	95 (2019: 95)
Hili Estates Limited	95 (2019: 95)
Premier Estates Limited	95 (2019: 95)

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20. Investment in subsidiaries (continued)

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

Details of the subsidiaries are as follows:

Hili Properties BV 100 (2019:100)

The registered office and principle place of business of the above group undertaking is Herikerbergweg 88, 1101 CM, Amsterdam, Netherlands.

Premier Estates Eesti OÜ 100 (2019:100)

The registered office and principle place of business of the above group undertaking is Tartu mnt 13 Kesklinna linnaosa, Tallinn Harju maakond 10145.

Premier Estates Ltd SIA 100 (2019:100)

The registered office and principle place of business of the above group undertaking is Satekles street 2B, LV-1050, Latvia.

Apex Investments SIA 100 (2019:100)

The registered office and principal place of business of the above group undertakings is Satekles street 2B, LV-1050, Latvia.

Premier Estates Lietuva UAB 100 (2019:100)

The registered office and principle place of business of the above group undertaking is Tiltos g. 1, LT-01101, Vilnius, the Republic of Lithuania.

Tirdzniecības Centrs Dole SIA 100 (2019: 100)

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

Dz78 SIA 100 (2019: N/a)

The registered office and principal place of business of the above group undertakings is Satekles street 2B, LV-1050, Latvia.

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20. Investment in subsidiaries (continued)

Proportion of
ownership
interest
%

Hili Premier Estates Romania SRL

100 (2019: 100)

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

Premier Assets Romania SRL

100 (2019: 90)

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

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

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

2020	Equity	Profit/(loss) for the year
	Eur	Eur
Hili Estates Holdings Company Limited	7,378,084	(4,790)
Hili Properties BV	13,892,393	(478,302)
2019	Equity	Profit/(loss) for the year
	Eur	Eur
Hili Estates Holdings Company Limited	7,382,874	(4,391)
Hili Properties (Swatar) Limited	-	279,855
Hili Properties BV	14,614,189	(532,345)

21. Deposit on acquisition of investment

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

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21. Deposit on acquisition of investment(continued)

Both the company and the vendor have the unilateral and unconditional right to rescind the agreement, in which case the deposit already paid of *Eur24,500,000* becomes repayable on the demand by the company. At the end of the reporting period, the agreement was expected to be executed by the year 2022.

22. Loans and receivables

Group

	Loans to other related companies Eur
2020	
Amortised cost	
At 31 December 2020	5,283,898
Less: amounts expected to be settled within 12 months (shown under current assets)	(52,565)
Amounts expected to be settled after 12 months (shown under non-current assets)	5,231,333
2019	
Amortised cost	
At 31 December 2019	1,371,417
Less: amounts expected to be settled within 12 months (shown under current assets)	(140,084)
Amounts expected to be settled after 12 months (shown under non-current assets)	1,231,333

Amounts due from other related companies amounted to *Eur5,231,333* (2019: *Eur1,231,333*). From this amount *Eur 4,000,000* will be repaid in June 2022 and carries interest at the rate of 6.5% per annum. The remaining amount *Eur 1,231,333* are expected to be realised in 2025 and receivables are interest free.

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Notes to the financial statements

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22. Loans and receivables (continued)

Holding company

	Loans to subsidiaries Eur	Loans to other related parties Eur	Total Eur
2020			
Amortised cost			
At 31 December 2020	23,433,981	5,243,716	28,677,697
Less: amounts expected to be settled within 12 months (shown under current assets)	(9,239,600)	(12,383)	(9,251,983)
Amount expected to be settled after 12 months	14,194,381	5,231,333	19,425,714
2019			
Amortised cost			
At 31 December 2019	22,708,265	1,322,273	24,030,538
Less: amounts expected to be settled within 12 months (shown under current assets)	(5,537,438)	(91,180)	(5,628,618)
Amount expected to be settled after 12 months	17,170,827	1,231,093	18,401,920

The above loans and receivables are unsecured.

Included in loans to subsidiaries is an amount of *Eur 14,194,381* (2019: *Eur 17,170,827*) which carries interest at the rate of 4.5% per annum. The remaining loans and receivables are interest free.

Loans to related parties includes an amount of *Eur 5,231,333* (2019: *Eur 1,231,333*) From this amount *EUR 4,000,000* will be repaid in June 2022 and carries interest at the rate of 6.5% per annum. The remaining amount *EUR 1,231,333* are expected to be realised in 2025 and receivables are interest free.

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23. Property held for sale

	Group Eur
Fair Value	
At 1 January 2019	6,477,700
Disposals	(3,916,700)
Fair value uplifts (note 8)	1,418,787
Net movements from investment property	(205,374)
At 1 January 2020	3,774,413
Disposals	(3,774,413)
Net movements from investment property	7,735,151
At 31 December 2020	7,735,151

Property held for sale are investment properties earmarked for sale. It is classified 2020, property classified for sale was disposed of.

24. Trade and other receivables

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Trade receivables	230,120	543,542	8,460	4,666
Other receivables	405,675	346,007	199,218	238,429
Amounts due from other related parties	124,379	287,269	3,013	-
Amounts due from parent	538,858	64,846	176,084	-
Prepayments and accrued income	428,099	590,950	19,323	187,449
	1,727,131	1,832,614	406,098	430,544
Less:				
amounts due for settlement after more than 12 months	(122,637)	(116,736)	-	-
Amount expected to be settled within 12 months	1,604,494	1,715,878	406,098	430,544

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

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25. Trade and other payables

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Trade payables	371,296	922,588	3,243	44,231
Amounts due to other related companies	499,148	406,883	492,304	406,883
Amounts due to group companies	-	-	132,954	574,007
Amounts due to ultimate parent company	321,715	129,499	319,539	129,499
Other payables	930,337	794,322	46,989	212,461
Accruals and deferred income	1,408,388	1,489,279	690,047	625,913
	3,530,884	3,742,571	1,685,076	1,992,994
Less: amount due for settlement within 12 months (shown under current liabilities)	(3,125,164)	(3,344,553)	(1,685,076)	1,992,994
Amount due for settlement after 12 months	405,720	398,017	-	-

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

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26. Other financial liabilities

Group	Loan from parent Eur	Loan from other related companies Eur	Derivative financial instrument Eur	Total Eur
As at December 2020	-	1,732,402	107,000	1,839,402
Less: amounts expected to be settled within 12 months (shown under current liabilities)	-	10,600	-	10,600
Amounts expected to be settled after 12 months (shown under current liabilities)	-	1,721,802	107,000	1,828,802
As at December 2019	1,699,706	2,027,731	204,322	3,931,759
Less: amounts expected to be settled within 12 months (shown under current liabilities)	(497,419)	(54,157)	-	(551,576)
Amounts expected to be settled after 12 months (shown under current liabilities)	1,202,287	1,973,574	204,322	3,380,183

Loan from other related companies of *Eur 1,732,402* (2019: *Eur 2,027,731*) and amounts due to parent company of *Eur nil* (2019: *Eur 1,699,706*) bear an interest rate of 5% per annum and 4.5% per annum, respectively.

Included in loan from other related companies is an amount of *Eur 1,721,802* (2019: *Eur 1,721,802*) that carries interest at the rate of 5% per annum and is repayable in full by 31st December 2022.

Amounts in the previous year *Eur 1,699,706* were fully repaid in 2020.

All financial liabilities listed above are unsecured.

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26. Other financial liabilities (continued)

Derivative financial instruments of *Eur 107,000* (2019 – *Eur204,322*) comprise an interest rate swap whereby one of the subsidiaries of the group had entered on 22 June 2017 a contract to swap the floating rate on bank borrowings (note 27) to a fixed rate. The interest rate swap is stated at fair value and is classified with financial liabilities classified as held for trading. The amount of *Eur 107,000* (2019 – *Eur204,322*) is classified with non- current liabilities.

The notional principal amounts of the outstanding interest rate swaps at the end of the reporting period amounted to *Eur 17,611,015* and the swap matures on the 21 June 2022. At the end of the reporting period, the fixed interest rates on interest rate swaps amount to 0.14% (2019- 0.14%). The floating rate is EURIBOR3M (2019- EURIBOR3M). The interest rate swaps settle on a quarterly basis and the group settles the difference between the fixed and floating interest rates on a net basis.

Holding company

	Loans from subsidiaries	Loan from parent	Loan from other related companies	Total
	Eur	Eur	Eur	Eur
As at 31 December 2020	8,148,233	-	1,721,802	9,870,035
Less: amounts expected to be settled within 12 months				
(shown under current liabilities)	(2,821,073)	-	-	(2,821,073)
Amount expected to be settled after 12 months	5,327,160	-	1,721,802	7,048,962
As at 31 December 2019	6,089,226	497,419	1,771,802	8,358,447
Less: amounts expected to be settled within 12 months				
(shown under current liabilities)	(3,089,226)	(497,419)	(50,000)	(3,636,645)
Amount expected to be settled after 12 months	3,000,000	-	1,721,802	4,721,802

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26. Other financial liabilities (continued)

Loans from subsidiaries bear interest at the rate of 4.5% per annum. *Eur 2,821,073* (2019: *Eur3,089,226*) are repayable on demand, whereas *Eur 5,327,160* (2019: *Eur3,000,000*) is repayable in full by 31st December 2024.

Amounts due to other related companies of *Eur 1,721,802* (2019: *Eur1,721,802*) bear an interest rate of 5% per annum and will be repaid in full by 31st December 2022.

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

27. Bank overdraft and loans

	Group 2020 Eur	2019 Eur	Holding company 2020 Eur	2019 Eur
Bank loans	40,840,919	45,353,105	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(5,284,907)	(3,486,726)	-	-
Amount due for settlement after 12 months	35,556,012	41,866,379	-	-

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27. Bank overdraft and loans (continued)

Bank overdraft and loans are payable as follows:

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
On demand				
or within one year	5,284,908	3,673,327	-	-
Between one				
and five years	20,529,127	26,189,269	-	-
After five years	15,026,885	15,490,509	-	-
	<u>40,840,920</u>	<u>45,353,105</u>	<u>-</u>	<u>-</u>

The group's bank loans facilities bear effective interest at the rates of 3.25% to 4.85% p.a. The group's bank borrowings facilities amount to *Eur 40,840,920* (2019: *Eur 45,353,105*). The facilities are secured by special hypothecs over the investment property of the group, a general hypothec over the assets of the group, guarantees provided by other related party and a pledge over rent receivable from the company's tenants.

Included in loans falling due within one year is an amount of approximately *Eur 1,800,000* which was due for repayment in 2021. After balance sheet date this loan was refinanced and consequently the said amount will be due for payment after more than one year.

28. Lease Liability

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

	Group 2020 Eur	Group 2019 Eur
Current		
Lease Liability	<u>33,938</u>	<u>28,773</u>
Non-current		
Lease Liability	<u>117,579</u>	<u>2,405</u>

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28. Lease Liability(continued)

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

Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of group sales) are excluded from the initial measurement of the lease liability and asset. The group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 18). The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	Eur	Eur	Eur	Eur
31 December 2020				
Lease payments	36,831	125,842	-	162,673
Finance charges	(2,893)	(8,263)	-	(11,156)
	<u>33,938</u>	<u>117,579</u>	<u>-</u>	<u>151,517</u>

29. Debt securities in issue

Group and Holding company

	2020 Eur	2019 Eur
4.5% unsecured bonds, redeemable 2025	<u>36,632,828</u>	<u>36,556,201</u>

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

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

The bonds are listed on the Official List of the Malta Stock Exchange. The carrying amount of the bond is net of direct issue costs of *Eur*766,271 which are being amortised over the life of the bond. The market value of debt securities on the last trading day before the statement of financial position date was *Eur*37,003,700 (2019: *Eur*38,850,000).

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Notes to the financial statements

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29. Debt securities in issue (continued)

As per the bond prospectus dated 18 September 2015, the € 37 million bonds are jointly and severally guaranteed by Harbour (APM) Investments Ltd and Hili Estates Ltd. The guarantors undertook that as long as the bonds remain outstanding, they shall collectively ensure that their aggregate net asset value will amount to not less than Eur 37 million at each financial reporting date. As of 31 December 2020, the aggregate net assets of both guarantors together amounted to Eur 40.148 million (2019: Eur 38.559 million) and therefore covers the bonds in issue. The full terms of the guarantee are disclosed in the bond prospectus.

30. Deferred taxation

Holding Company

	Opening Balance Eur	Recognised in profit Eur	Closing balance Eur
2020			
<i>Arising on:</i>			
Unutilised tax losses	-	-	-
Other temporary differences	6,391	21,017	27,408
<i>Arising on:</i>			
Investment property	(240,000)	(255,000)	(495,000)
	<u>(233,609)</u>	<u>(233,983)</u>	<u>(467,592)</u>
2019			
<i>Arising on:</i>			
Unutilised tax losses	8,945	(8,945)	-
Other temporary differences	5,101	1,295	6,391
<i>Arising on:</i>			
Investment property	(240,000)	-	(240,000)
	<u>(225,954)</u>	<u>(7,650)</u>	<u>(233,609)</u>

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Notes to the financial statements

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31. Deferred taxation (continued)

Group	Opening Balance	Recognised in profit or loss	Closing balance
	Eur	Eur	Eur
2020			
<i>Arising on:</i>			
Investment property	(2,559,691)	(620,154)	(3,179,845)
Other temporary differences	26,489		26,489
	<u>(2,533,202)</u>	<u>(620,154)</u>	<u>(3,153,356)</u>
<i>Arising on:</i>			
Unutilised tax losses	8,495	-	8,495
Unabsorbed losses arising as a result of merger	290,927	-	290,927
Investment property	47,741	-	47,741
Other temporary differences	(51,476)	-	(51,476)
	<u>295,687</u>	<u>-</u>	<u>295,687</u>
	Opening Balance	Recognised in profit or loss	Closing balance
	Eur	Eur	Eur
2019			
<i>Arising on:</i>			
Investment property	(3,481,259)	921,568	(2,559,691)
Other temporary differences	(16,088)	42,577	26,489
	<u>(3,497,347)</u>	<u>964,145</u>	<u>(2,533,202)</u>
<i>Arising on:</i>			
Unutilised tax losses	8,495	-	8,495
Unabsorbed losses arising as a result of merger	290,927	-	290,927
Investment property	47,741	-	47,741
Other temporary differences	-	(51,476)	(51,476)
	<u>347,163</u>	<u>(51,476)</u>	<u>295,687</u>

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Notes to the financial statements

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30. Share capital

	2020 and 2019	
	Authorised Eur	Issued and called up Eur
60,000,000 ordinary shares of Eur1 each	<u>60,000,000</u>	<u>41,592,000</u>

On 19 May 2015:

- (i) The authorised share capital of the company was increased by 100,000 ordinary shares of *Eur1* each.
- (ii) The issued share capital of the company was increased by 100,000 ordinary shares of *Eur1* each, which were issued at a premium of *Eur39* per share and was satisfied by the capitalisation of shareholders' loans amounting to *Eur4,000,000*.
- (iii) Subsequent to the above also on 19 May 2015, an amount of *Eur3,900,000* equal to the share premium was applied to the company's loss offset reserve account for the purpose of offsetting any losses that may be incurred by the company from time to time. Consequently, the remaining balance in the said loss offset reserve amounted to *Eur748,427*.

On 27 August 2015:

- (i) The authorised share capital of the company was increased by 6,500,000 ordinary shares of *Eur1* each.
- (ii) The issued share capital of the company was increased by 6,500,000 ordinary shares of *Eur1* each which was also affected via a capitalisation of shareholders' loans.

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

On 14 November 2017, *Eur7,000,000* of the amounts due in relation to the purchase of shares in Harbour (APM) Investments Limited, were assigned to the parent company and subsequently capitalised in the share capital of the company on 28 November 2017 as follows:

- (i) The authorised share capital of the company was increased by 7,400,000 ordinary shares of *Eur1* each.
- (ii) The issued share capital of the company was increased by 7,000,000 ordinary shares of *Eur1* each.

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

31. Share capital (continued)

On 5 March 2018:

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

On 8 August 2018:

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

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Notes to the financial statements

31 December 2020

32. Cash and cash equivalents

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

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Cash at bank and on hand	3,058,382	7,141,099	629,986	4,926,420
Cash and cash equivalents in in the statements of cash flows	3,058,382	7,141,099	629,986	4,926,420

Cash at bank is interest free.

Restricted cash which is not available for use by the group as of 31 December 2020, amounted to *Eur*1,582,998 (2019: *Eur*1,191,606). This is restricted by the bank in Romania for the duration of the loan of 20 years and is equivalent to the monthly bank loan principal and interest payment due together with amounts deposited as a fund for future refurbishments on the property. Accordingly, this is classified under non-current assets.

33. Reconciliation of liabilities arising from financing activities.

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

Group	Opening Balance Eur	Cash Eur	Non- Cash Eur	Accrued unpaid interest Eur	Closing Balance Eur
Bank loans	45,353,105	(4,512,184)	-	-	40,840,921
Loans from related parties	3,931,758	(2,006,266)	-	(86,090)	1,839,402
	49,284,863	(6,518,450)	-	(86,090)	42,680,323

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Notes to the financial statements

31 December 2020

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

Holding company

	Opening Balance Eur	Cash Eur	Non- Cash Eur	Accrued unpaid interest Eur	Closing Balance Eur
Loans from related parties	8,358,447	1,511,588	-	-	9,870,035

34. Disposal of Subsidiary

On the 27 November 2020, the Group disposed of 100% interest in Tukuma projekts Ltd. An analysis of assets and liabilities over which control was lost is as follows:

	2020 Eur
Investment property (note 19)	1,600,000
Trade and other receivables	16,858
Cash and cash equivalents	44,642
Trade and other payables	(102,300)
Taxation payable	(2,774)
Net assets disposed of	1,556,426
Consideration receivable	1,756,426
Gain/loss on disposal of Subsidiary	200,000

The Group made a gain of *Eur200,000* from the sale of shares in the subsidiary.

Hili Properties p.l.c.

Notes to the financial statements

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35. Events after the reporting period

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 31 December 2020.

36. Related party transactions

Hili Properties p.l.c. is the parent company of the undertakings highlighted in note 20. The parent company of Hili Properties p.l.c. is Hili Ventures Limited which is incorporated in Malta having its registered office at Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta. Hili Ventures Limited produces consolidated financial statements available for public use. Copies of the consolidated financial statements may be downloaded from the website of both Hili Properties p.l.c. and Hili Ventures Limited. The directors consider the ultimate controlling party to be Carmelo Hili, who during 2016 became the indirect owner of more than 50% of the issued share capital of Hili Ventures Limited.

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

37. Related party transactions (continued)

Group	2020			2019		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Revenue:						
Related party transactions with:						
Parent company	517,095	-		316,763	-	
Other related parties	2,321,151	-		2,408,158	-	
	<u>2,838,246</u>	<u>7,740,929</u>	37%	<u>2,724,921</u>	<u>8,745,126</u>	31%
Administrative expenses:						
Related party transactions with:						
Parent company	919,812	-		378,000	-	
Other related parties	60,254	-		49,938	-	
	<u>980,066</u>	<u>2,667,311</u>	37%	<u>427,938</u>	<u>2,166,258</u>	21%
Other operating income						
Related party transactions with:						
Parent company	-	-		3,769	-	
Subsidiaries	-	-		36,089	-	
	<u>-</u>	<u>371,668</u>	0%	<u>39,858</u>	<u>407,776</u>	9%
Finance income:						
Related party transactions with:						
Subsidiaries	46,302	-		-	-	
Other related parties	375,352	-		-	-	
	<u>135,342</u>	<u>-</u>		<u>-</u>	<u>-</u>	
	<u>556,996</u>	<u>180,041</u>	0%	<u>-</u>	<u>192,526</u>	0%
Finance costs:						
Related party transactions with:						
Parent company	660,033	-		17,038	-	
Other related parties	86,090	-		87,909	-	
	<u>746,123</u>	<u>3,525,688</u>	21%	<u>104,947</u>	<u>3,950,230</u>	3%

Hili Properties p.l.c.

Notes to the financial statements

32 December 2020

37. Related party transactions (continued)

Holding Company

	2020			2019		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
2020						
Revenue:						
Related party transactions with:						
Other related parties	69,500	-		-	-	
	<u>69,500</u>	<u>159,500</u>	44%	<u>110,112</u>	<u>199,370</u>	55%
Administrative expenses:						
Related party transactions with:						
Subsidiaries	-	-		-	-	
Parent company	700,000	1,397,579		360,000	868,921	
	<u>700,000</u>	<u>1,397,579</u>	50%	<u>360,000</u>	<u>868,921</u>	41%
Finance income:						
Related party transactions with:						
Parent company	46,302	46,302		-	-	
Subsidiaries	-	-		-	-	
Other related parties	135,342	135,342		756,132	756,132	
	<u>181,644</u>	<u>135,342</u>	100%	<u>756,132</u>	<u>756,132</u>	100%
Finance costs:						
Related party transactions with:						
Parent company	-	-		17,038	-	
Subsidiaries	-	-		275,818	-	
Other related parties	86,090	86,090		86,091	-	
	<u>86,090</u>	<u>2,120,574</u>	4%	<u>378,947</u>	<u>2,120,574</u>	18%

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

37. Related party transactions (continued)

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

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

Key management personnel compensation is disclosed in note 13 and recharges of staff costs to related parties are disclosed in note 14. Contingent liabilities are disclosed in note 38.

During 2019, tax losses were surrendered to the holding company by the parent company to the amount of *Eur497,419 (2020: nil)*.

No guarantees have been given or received. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement.

38. Contingent liabilities

The group and the company had no contingent liabilities as at 31 December 2020 and 2019.

39. Capital commitments

	Group		Holding company	
	2020	2019	2020	2019
	Eur	Eur	Eur	Eur
Investment property	869,936	-	-	-
Contracted for	(869,936)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Authorised by not contracted for	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

40. Operating leases – the Group as lessee

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

	Group	
	2020	2019
	Eur	Eur
Within one year	418,464	417,328
Between 2 and 5 years	1,470,840	1,460,025
Over 5 years	2,778,674	3,149,989
	4,667,978	5,027,342

Operating lease payments represent rentals payable by the group for land. Leases are negotiated and rentals are fixed for a term of five years. The group does not have the option to purchase the land at the expiry of the lease period. The land is being subleased to tenants and the total future minimum lease payments expected to be received under these sub-lease agreements.

41. Fair values of financial assets and financial liabilities

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

The fair values of the debt securities in issue are disclosed in note 29. The fair values of the other non-current financial liabilities and the non-current financial assets, other than investments in subsidiaries, are not materially different from their carrying amounts due to the fact that the interest rates are considered to represent market rates at the year end. The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories below have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects a market rate of interest and the credit risk of counterparties.

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

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

Hili Properties p.l.c.

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

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

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

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

Group	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2020					
Financial assets					
Deposit on the acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	52,565	5,231,333	5,283,898	5,283,898
At 31 December 2020	-	24,552,565	5,231,333	29,783,898	29,783,898
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	-	10,600	1,828,802	1,839,402	1,839,402
- Bank borrowings	-	40,840,920	-	40,840,920	40,840,920
- Debt securities	37,003,700	-	-	37,003,700	36,632,828
At 31 December 2020		40,851,520	1,828,802	79,684,022	79,313,149
	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2019					
Financial assets					
Deposit on the acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	140,084	1,231,333	1,371,417	1,371,417
At 31 December 2019	-	24,640,084	1,231,333	25,871,417	25,871,417
Financial liabilities					
Financial liabilities at amortised cost					
- Other financial liabilities	-	551,576	3,380,183	3,931,758	3,931,758
- Bank borrowings	-	45,353,105	-	45,353,105	45,353,105
- Debt securities	38,850,000	-	-	38,850,000	36,556,201
At 31 December 2019	38,850,000	45,904,681	3,380,183	88,134,863	85,841,064

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

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

Holding company	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2020					
Financial assets					
Deposit on the acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	9,251,983	19,425,714	28,677,697	28,677,697
At 31 December 2020	-	33,751,983	19,425,714	53,177,697	53,177,697
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
- other financial liabilities	-	2,821,073	7,048,962	9,870,035	9,870,035
- debt securities	37,003,700	-	-	37,003,700	36,556,201
At 31 December 2020	37,003,700	2,821,073	7,048,962	46,873,735	46,426,236
	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2019					
Financial assets					
Deposit on the acquisition of investment	-	24,500,000	-	24,500,000	24,500,000
Loans and receivables					
- receivables from related parties	-	5,628,618	18,401,920	24,030,538	24,030,538
At 31 December 2019	-	30,128,618	18,401,920	48,530,538	48,530,538
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
- other financial liabilities	-	3,636,645	4,721,802	8,358,447	8,358,447
- debt securities	38,850,000	-	-	38,850,000	36,556,201
At 31 December 2019	38,850,000	3,636,645	4,721,802	47,208,447	44,914,648

42. Financial risk management

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

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

42. Financial risk management (continued)

Credit risk

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

Loans and receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

Cash at bank is placed with reliable financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies. The rating of the main bank with which the group places 38% of its cash at bank is BBB+ (2019: 38% BBB+). The company holds all its cash at bank with a different financial institution having a rating of BBB.

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

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. Contingent liabilities are disclosed in note 37, and no guarantees are held by the group.

Interest rate risk

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

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

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

42. Financial risk management (continued)

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

Sensitivity analysis

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

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

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

The sensitivity of the relevant risk variables is as follows:

	Group	
	Profit or loss	
	sensitivity	
	2020	2019
	Eur	Eur
Market interest rates – cash flow	<u>+/-189k</u>	<u>+/-191k</u>

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

Liquidity risk

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

The group is in a net current liability position of *Eur*4,541,767 (2019, current asset position of *Eur*1,116,710). The negative position being shown at the end of the current year is attributable to the following:

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

42. Financial risk management (continued)

Liquidity risk (continued)

- In 2020 cash available of Eur4,000,000 was advanced to related companies as per note 22 to these accounts. Interest at the rate of 6.5% is being charged on these amounts and the balance is due to be repaid in full by June 2022.
- Included in bank loans falling due within one year is an amount of approximately *Eur 1,800,000* which was due for repayment in 2021, as per note 27. After balance sheet date these loans was refinanced and consequently the said amount will be due for payment after more than one year.

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

Group	On demand or within one year Eur	2-5 years Eur	Over 5 years Eur	Total Eur
2020				
Non-interest bearing	3,590,575	-	376,702	3,967,277
Variable rate instruments				-
Fixed rate instruments	2,751,090	11,370,600	12,423,910	26,545,600
Derivative financial liabilities	-	107,000	-	107,000
	<u>6,341,665</u>	<u>11,477,600</u>	<u>12,800,612</u>	<u>30,619,877</u>
2019				
Non-interest bearing	3,373,327	2,405	398,017	3,773,749
Variable rate instrument:	3,673,326	26,189,269	15,490,509	45,353,105
Fixed rate instruments	1,719,158	48,925,101	-	50,644,259
Derivative financial liabilities	-	204,322	-	204,322
	<u>8,765,811</u>	<u>75,321,097</u>	<u>15,888,526</u>	<u>99,975,434</u>

Holding company

	On demand or within one year Eur	2-5 years Eur	Over 5 years Eur	Total Eur
2020				
Non-interest bearing	1,782,496	-	-	1,782,496
Fixed rate instruments	86,090	38,041,621	-	38,127,711
	<u>1,868,586</u>	<u>38,041,621</u>	<u>-</u>	<u>39,910,207</u>
2019				
Non-interest bearing	2,747,673	-	-	2,747,673
Fixed rate instruments	6,540,722	48,317,500	-	54,858,222
	<u>9,288,395</u>	<u>48,317,500</u>	<u>-</u>	<u>57,605,895</u>

Hili Properties p.l.c.

Notes to the financial statements

31 December 2020

42. Financial risk management (continued)

Currency risk

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

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

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

Capital risk management.

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

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

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



Independent auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hili Properties p.l.c. (the "Company") and of the Group of which it is the parent, set out on pages 14 to 86, which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A of the Accountancy Profession Act, Cap. 281. The non-audit services that we have provided to the Company and the Group during the year ended 31 December 2020 are disclosed in note 12 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of investment properties and properties held for sale

Key audit matter

The total carrying amounts of the Group's and the Company's investment properties and properties held for sale carried at fair value as at 31 December 2020 amounted to € 112.9 million and € 5.5 million, respectively. Management determined the fair values with reference to the assessment of the external independent valuations made during the period and other information.

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

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

How the key audit matter was addressed in our audit

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

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

Other information

The directors are responsible for the other information. The other information comprises (i) the Directors, officer and other information, (ii) the Directors' report, (iii) Statement of directors' responsibilities and (iv) the Corporate governance statement which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the Directors' report.

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

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

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

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

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

Responsibilities of those charged with governance for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company or the Group to cease to continue as a going concern. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have on the company or the Group's trade, customers and suppliers, and the disruption to its business and overall economy.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on the Corporate governance statement

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

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

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

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

In our opinion, the Corporate governance statement set out on pages 10 to 13 has been properly prepared in accordance with the requirements of the Listing Rules.

Other matters on which we are required to report by exception

We also have responsibilities:


- under the Companies Act, Cap 386 to report to you if, in our opinion:
 - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us
 - the financial statements are not in agreement with the accounting records and returns
 - we have not received all the information and explanations we require for our audit
 - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- in terms of Listing Rules to review the statement made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Auditor tenure

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

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of
GRANT THORNTON

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28 April 2021