

# **Hili Ventures Limited**

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**C57902**

**Report and Financial Statements**

31 December 2018

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# Hili Ventures Limited

## Directors, officer and other information

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<i>Directors:</i>	Steve Tarr (Chairman) Carmelo sive Melo Hili Richard Abdilla Castillo Victor Tedesco Jesmond Mizzi
<i>Secretary:</i>	Dr. Melanie Miceli Demajo (appointed 4 <sup>th</sup> Feb, 2019) Dr. Valentin-Alexandru Truta (appointed 12 <sup>th</sup> Dec 2018 and resigned 4 <sup>th</sup> Feb, 2019. Dr. Karen Coppini (resigned 12 <sup>th</sup> Dec, 2018)
<i>Registered office:</i>	Nineteen Twenty-Three Valletta Road Marsa Malta
<i>Company registration number:</i>	C 57902
<i>Auditor:</i>	Grant Thornton Malta, Fort Business Centre, Floor 2, Mriehel Bypass Birkirkara, Malta
<i>Principal bankers:</i>	HSBC Bank Malta plc. HSBC Head Office Mill Street Qormi Malta
<i>Legal advisors:</i>	GVZH Advocates, 192, Old Bakery Street, Valletta, Malta.  Camilleri Preziosi Advocates, Level 3, Valletta buildings, Valletta, VLT 1103, Malta.

# Hili Ventures Limited

## Directors' report

Year ended 31 December 2018

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The directors present their report and the audited financial statements of the holding company for the year ended 31 December 2018.

### Principal activities

Hili Ventures Limited principally acts as the investment holding company of an international, diversified group to which it provides management and consultancy services.

### Performance review

During the year under review the company registered an operating loss of *Eur3,199,875* (2017 – *Eur3,455,189*). After accounting for net investment income and finance costs the company registered a pre-tax profit of *Eur17,235,368* from continuing operations as opposed to *Eur1,057,360* in 2017.

### Results and dividends

The results for the year ended 31 December 2018 are shown in the statement of comprehensive income on page 5. The company's profit for the year after taxation was *Eur15,947,628* (2017 – *Eur1,081,174*). During the year, the directors declared a dividend of *Eur8,605,302* to the preference shareholders (2017- *Eur1,000,000*).

### Post Balance Sheet Events

The relevant post balance sheet events are disclosed in note 30.

### Likely future business development

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

### Directors

The directors who served during the period were :

Steve Tarr (Chairman)  
Carmelo sive Melo Hili  
Richard Abdilla Castillo  
Victor Tedesco  
Jesmond Mizzi

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

# Hili Ventures Limited

## Directors' report (continued)

Year ended 31 December 2018

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### Disclosure of information to auditors

At the date of making this report the directors confirm the following:

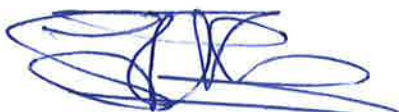
As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and

Each director has taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

### Auditors

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its re-appointment will be put to the Annual General Meeting.

Approved by the board of directors and signed on its behalf on the 29<sup>th</sup> April 2019  
by:



**Steve Tarr**  
**Chairman**



**Carmelo sive Melo Hili**  
**Director**

# Hili Ventures Limited

## Statement of directors' responsibilities

Year ended 31 December 2018

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The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company at the end of each financial period and of its profit or loss of the company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those in 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Hili Ventures Limited

## Statement of profit or loss and other comprehensive income

Year ended 31 December 2018

	Notes	2018 Eur	2017 Eur
<b>Continuing operations</b>			
Revenue	5	<u>1,480,000</u>	<u>1,120,000</u>
Other operating income	6	76,735	-
Selling expenses		(55,910)	(35,160)
Administrative expenses		<u>(4,700,700)</u>	<u>(4,540,029)</u>
<b>Operating loss</b>		<u>(3,199,875)</u>	<u>(3,455,189)</u>
Investment income	7	24,061,125	9,264,395
Investment losses	8	<u>(1,000,000)</u>	<u>(3,000,000)</u>
Net investment income		<u>23,061,125</u>	<u>6,264,395</u>
Finance costs	9	<u>(2,625,882)</u>	<u>(1,751,846)</u>
<b>Profit before tax</b>	10	17,235,368	1,057,360
Income tax (expense)/ credit	13	<u>(1,287,740)</u>	<u>23,814</u>
<b>Total profit and other comprehensive income for the year</b>		<u><u>15,947,628</u></u>	<u><u>1,081,174</u></u>

# Hili Ventures Limited

## Statement of financial position

Year ended 31 December 2018

	Notes	2018 Eur	2017 Eur
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Intangible assets	15	46,240	57,339
Property, plant and equipment	16	174,777	70,349
Investments in subsidiaries	17	133,760,646	105,135,646
Loans and receivables	17	10,428,083	7,618,794
Deferred tax assets	22	116,861	76,791
		<u>144,526,607</u>	<u>112,958,919</u>
<b>Current assets</b>			
Financial asset investments	17	1,198	1,198
Loans and receivables	17	8,531,217	2,524,489
Trade and other receivables	18	433,419	305,457
Cash and cash equivalents	24	114,057	1,769,922
Current tax assets		2,577,685	1,552,832
		<u>11,657,576</u>	<u>6,153,898</u>
<b>Total assets</b>		<u>156,184,183</u>	<u>119,112,817</u>
<b>Current liabilities</b>			
Trade and other payables	19	1,023,325	866,603
Other financial liabilities	21	2,962,650	12,909,517
Bank overdrafts and loans	20	3,571,978	2,211,091
		<u>7,557,953</u>	<u>15,987,211</u>
<b>Non-current liabilities</b>			
Other financial liabilities	21	56,662,433	26,334,584
Bank loans	20	15,128,569	7,303,396
		<u>71,791,002</u>	<u>33,637,980</u>
<b>Total liabilities</b>		<u>79,348,955</u>	<u>49,625,191</u>
<b>Net assets</b>		<u>76,835,228</u>	<u>69,487,626</u>
<b>EQUITY</b>			
Share capital	23	69,400,000	65,000,000
Other equity		-	4,394,724
Retained earnings		7,435,228	92,902
<b>Total equity</b>		<u>76,835,228</u>	<u>69,487,626</u>

These financial statements were approved by the board of directors, authorised for issue on the 29<sup>th</sup> April 2019 and signed on its behalf by:

  
Steve Tarr  
Chairman

  
Carmelo sive Melo Hili  
Director

# Hili Ventures Limited

## Statement of changes in equity

Year ended 31 December 2018

	Share capital Eur	Other equity Eur	Retained earnings Eur	Total Eur
<b>Balance at 1 January 2017</b>	65,000,000	4,394,724	11,728	69,406,452
Total comprehensive income for the year	-	-	1,081,174	1,081,174
Preference dividends (note 14)	-	-	(1,000,000)	(1,000,000)
<b>Balance at 1 January 2018</b>	65,000,000	4,394,724	92,902	69,487,626
Capitalisation of other equity	4,394,724	(4,394,724)	-	-
Increase in share capital earnings	5,276	-	-	5,276
Preference dividends (note 14)	-	-	(8,605,302)	(8,605,302)
Total comprehensive income for the year	-	-	15,947,628	15,947,628
<b>Balance at 31 December 2018</b>	<b>69,400,000</b>	<b>-</b>	<b>7,435,228</b>	<b>76,835,228</b>

# Hili Ventures Limited

## Statement of cash flows

Year ended 31 December 2018

	2018 Eur	2017 Eur
<b>Cash flows from operating activities</b>		
Profit before tax	17,235,368	1,057,360
<i>Adjustments for:</i>		
Depreciation and amortisation	115,390	70,670
Bond amortisation costs	27,221	-
Interest payable	2,598,661	2,184,946
Interest income on amounts due from related parties	(185,685)	(433,100)
Dividends from equity instruments	(23,875,440)	-
Impairment on loans and receivables	1,000,000	-
Impairment on investment in subsidiary	-	3,000,000
<b>Net cash flows from continuing operations</b>	<b>(3,084,485)</b>	<b>5,879,876</b>
 Movement in trade and other receivables	 (127,962)	 (801,920)
Movement in trade and other payables	156,722	(87,688)
Cash flows from operations	(3,055,725)	4,990,268
Interest paid	(1,782,661)	(2,184,946)
Taxation refunded	722,777	231,308
<b>Net cash flows from operating activities</b>	<b>(4,115,609)</b>	<b>3,036,630</b>
 <b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(186,703)	(56,123)
Payments to acquire intangible assets	(22,016)	(4,561)
Proceeds from sale of property, plant and equipment	-	2,031
(Payments to)/proceeds from group undertakings	32,769,546	2,035,110
(Payments to)/advances from related companies	-	(367,990)
Interest received	185,685	433,100
Dividends received from equity instruments	12,000,000	-
<b>Net cash flows from investing activities</b>	<b>44,746,512</b>	<b>2,041,567</b>

# Hili Ventures Limited

## Statement of cash flows ( continued)

Year ended 31 December 2018

	2018 Eur	2017 Eur
<b>Cash flow from financing activities</b>		
Investments in subsidiaries	(26,075,000)	-
(Payments to )/proceeds granted from other related parties	(16,797,802)	1,697,802
Proceeds from bank loans	10,000,000	-
Repayment of bank loans	(2,211,091)	(2,760,513)
Share capital increase	5,276	-
Dividends paid	(8,605,302)	(1,000,000)
<i>Net cash flows used in financing activities</i>	<b>(43,683,919)</b>	<b>(2,062,711)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(3,053,016)</b>	<b>3,015,486</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,769,922</b>	<b>(1,245,564)</b>
<b>Cash and cash equivalents at the end of the year (note 24)</b>	<b>(1,283,094)</b>	<b>1,769,922</b>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 1. Company Information and basis of preparation

Hili Ventures Limited is a company incorporated in Malta with registration number C57902. The registered address is Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Companies Act, Cap 386. The significant accounting policies adopted are set out below.

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.

### 2. Significant accounting policies

#### *Investments in subsidiaries*

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

Investments in subsidiaries in the company's financial statements are stated on the basis of the direct equity interest and is stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

#### *Property, plant and equipment*

The holding company's property, plant and equipment consists of furniture, fittings, computer equipment and other equipment.

Property, plant and equipment are initially measured at cost. 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 company 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.

Other tangible assets are stated at cost less any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Property, plant and equipment (continued)*

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 in the period of derecognition.

#### *Depreciation*

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, fittings and other equipment	-	10% - 33%
Computer equipment		25%

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

#### *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.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Intangible assets ( continued)*

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

#### (i) Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment.

Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over three to five years.

#### *Other financial instruments*

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

Financial assets and financial liabilities are initially recognised at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities ( other than financial assets and financial liabilities at fair value through the profit and loss) are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through the profit and loss are recognised immediately in the profit and loss.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through the profit and loss;
- fair value through other comprehensive income.

In the periods presented, the company did not have any financial assets categorised as fair value through the profit and loss or fair value through other comprehensive income.

The classification is determined by both :

- the company'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 the profit or loss are presented within finance costs and finance income, except for impairment of trade receivables which is presented within other expenses.

The financial assets held by the company are measured at amortised cost, provided the following conditions are met :

- these financial assets 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, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position 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.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Other financial instruments (continued)*

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the holding company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### (i) Other receivables

The company makes use of a simplified approach in accounting for trade and other receivables 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 company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### (ii) Investments

The company's investments consist of loans and receivables. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are recognised at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised, or impaired, or through the amortisation process.

#### (ii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest. Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Other financial instruments (continued)*

##### (iii) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

##### (iv) Trade and other payables

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

##### (v) Shares issued by the company

Preference shares issued by the company are classified as equity instruments.

Redemptions or refinancing of equity instruments are recognised as changes in equity.

#### *Impairment*

At the end of each reporting period, the carrying amount of assets, including cash-generating units and investments in subsidiaries, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty) or a breach of contract or it becoming probable that the borrower will enter bankruptcy or other financial reorganization or the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the company would not otherwise consider.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For investment in subsidiaries, the company reviews the carrying amount of its investment to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

For trade receivables, the company makes use of a simplified approach in accounting for trade and other receivables 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 company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which 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) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Where it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs is determined. For cash-generating units, where the recoverable amount is less than the carrying amount, the carrying amount of the assets of the unit is reduced first to reduce the carrying amount of any goodwill allocated, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Impairment losses are recognised immediately in profit or loss.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Impairment (continued)*

For loans and receivables, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

#### *Revenue recognition*

Revenue for the company arises mainly from management fee and dividend income. The company did not generate revenue from other trading operations during the current and previous accounting periods. To determine whether to recognise revenue, the company 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 company entered into transactions with related parties for the provision of management services to group companies. Management fees are established through a contract with the respective group company and considered fixed in nature. It is not expected that future reversals to management fee income will occur and its inclusion as the transaction price is earned as the services are being performed. The performance obligation is identified for the services provided to the customer and is satisfied upon rendering and completion of the service. The price is agreed with the customer in a written agreement and is allocated to the performance obligation accordingly. Prices are based on established prices for management services being provided.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Revenue (continued)*

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customers.

#### *Provision of services*

Revenue from the provision of 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.

#### *Interest income*

Interest income is accrued on a timely 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 assets net carrying amount.

#### *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established

#### *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 Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Leases*

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

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

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

#### *Taxation*

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

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

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

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

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Taxation ( continued)*

Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

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

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

#### *Employee benefits*

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

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 2. Significant accounting policies (continued)

#### *Currency translation*

The financial statements of the company 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.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the company'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.

#### *Dividends*

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are recognised directly in equity.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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

Other than as disclosed below, in the process of applying the company's accounting policies, management has 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.

The company reviews property, investments in subsidiaries, plant and equipment, intangible assets and loans and receivables, including trade receivables, to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable.

At the year-end, there were impairment indicators due to a drop in expected performance of one of the company's subsidiaries. The directors have performed an assessment of impairment for such investments based on the value in use of the estimated future cash flows expected to arise from the cash generating unit that corresponds to the investment being assessed for impairment. The aggregation of the cash generating units attributable to such investments is a key judgement in the impairment testing process of the company's investments.

Following the above assessment, the directors recognised an impairment loss of *Eur 1,000,000*. The directors expect the carrying amount of other loans and receivables at 31 December, 2018 to be recoverable.

#### *Initial application of International Financial Reporting Standards*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016 by Clarifications to IFRS 15). IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 supersedes the following revenue Standards and Interpretations upon its effective date: IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 4. Initial application of International Financial Reporting Standards and International Reporting Standards in issue but not yet effective (continued)

#### *Initial application of International Financial Reporting Standards (continued)*

Based on the modified approach in the transitional provisions of the Standard, the Company has applied IFRS 15 retrospectively. In terms of this approach, the cumulative effect, if any, of initially applying the Standard is recognised in equity at the date of initial application. The date of initial application is 1 January 2018. Accordingly, the comparative information has not been restated and continues to be reported under IAS 18 Revenue and IAS 11 Construction Contracts. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. Both the accounting policies under IAS 18 and IAS 11 and the accounting policies under IFRS 15 are disclosed in the significant accounting policies.

Under this transition method, the Company has elected to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application. A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with IAS 11, IAS 18 and related Interpretations.

The Company's accounting policies for its revenue streams are disclosed in detail in the significant accounting policies.

Apart from providing more extensive disclosures on the company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the company.

#### *IFRS 9 Financial Instruments*

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held.

This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 4. Initial application of International Financial Reporting Standards and International Reporting Standards in issue but not yet effective (continued)

#### *IFRS 9 Financial Instruments (continued)*

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.

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods. Any differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment would have been recognised in retained earnings.

There was however no significant impact from the adoption of IFRS 9 on these financial statements and there have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

#### *IFRS 16 - Leasing*

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 4. Initial application of International Financial Reporting Standards and International Reporting Standards in issue but not yet effective (continued)

*Initial application of International Financial Reporting Standards (continued)*

*IFRS 16 Leases (continued)*

IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The standard has been endorsed by the EU, but not yet effective at the date of authorisation of these financial statements.

It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the company performs a detailed review however it is likely that any effects of this standard will be material.

The directors of the company anticipate that the application of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

### 5. Revenue

Revenue represents the amount receivable for management services rendered during the period, net of any indirect taxes as follows:

	<b>2018</b>	<b>2017</b>
	<b>Eur</b>	<b>Eur</b>
Management fees	<b>1,480,000</b>	1,120,000
	<b>1,480,000</b>	1,120,000

### 6. Other operating income

	<b>2018</b>	<b>2017</b>
	<b>Eur</b>	<b>Eur</b>
Other income	<b>76,735</b>	-
	<b>76,735</b>	-

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 7. Investment income

	2018 Eur	2017 Eur
Interest receivable on loan to other related company	185,685	433,100
Total interest income on financial assets not classified as at fair value through profit or loss	185,685	433,100
Dividends from equity instruments	23,875,440	8,831,295
	<b>24,061,125</b>	<b>9,264,395</b>

### 8. Investment losses

	2018 Eur	2017 Eur
Impairment losses on investments in subsidiaries	-	3,000,000
Impairment losses on loans and receivables	1,000,000	-
	<b>1,000,000</b>	<b>3,000,000</b>

### 9. Finance costs

	2018 Eur	2017 Eur
Interest on bank overdrafts and loans	320,185	383,117
Interest on amounts payable to related undertakings	2,278,476	1,368,729
Amortisation of bond issue expenses	27,221	-
	<b>2,625,882</b>	<b>1,751,846</b>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 10. Profit before tax

The operating loss is stated after charging:

	2018 Eur	2017 Eur
Depreciation and amortisation costs	115,390	70,670
Impairment losses recognised		
on financial assets	<u>1,000,000</u>	<u>3,000,000</u>
	<u>1,115,390</u>	<u>3,070,670</u>

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur2,500 (2017 – Eur2,200)*. Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to *Eur1,000 (2017 – Eur2,200)*

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 11. Key management personnel compensation

	2018 Eur	2017 Eur
<b>Directors' compensation:</b>		
Hili Ventures limited	<u>179,329</u>	<u>197,488</u>
<b>Other key management compensation:</b>		
Hili Ventures Limited	<u>1,009,037</u>	<u>1,076,950</u>
<b>Total directors' fees and other key management personnel</b>	<u>1,188,366</u>	<u>1,274,438</u>

### 12. Staff costs and employee information

	2018 Eur	2017 Eur
<b>Staff costs:</b>		
Wages and salaries	<u>2,097,164</u>	<u>2,334,648</u>
Social security costs	<u>69,017</u>	<u>68,009</u>
	<u>2,166,181</u>	<u>2,402,657</u>

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

	2018 Number	2017 Number
Administration	<u>34</u>	<u>38</u>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 13. Income tax credit

	2018	2017
	Eur	Eur
Current tax expense	1,327,810	1,238
Deferred tax credit (note 22)	(40,070)	(25,052)
	<b>1,287,740</b>	<b>(23,814)</b>

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

	2018	2017
	Eur	Eur
Profit before tax from continuing operations	17,235,368	1,057,360
Tax at the applicable rate of 35%	6,032,379	370,076
<i>Tax effect of:</i>		
Income subject to 15%	-	(1,650)
Disallowed impairment of investment	-	1,050,000
Disallowed impairment of loan	350,000	-
Income taxed at lower rates	(6,039)	-
Exempt dividend		
Disallowable expenses	186,326	147,172
Untaxed dividend	(1,568,158)	(64,259)
Effect of flat foreign tax credit claimed	-	1,181,250
FRFTC nullifying tax charge on FIA Income	(3,706,768)	(2,706,403)
Income tax expense / (credit)	<b>1,287,740</b>	<b>(23,814)</b>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 14. Dividends

In respect of the current year no dividend was declared to ordinary shareholders (2017: nil).

Preference dividends of *Eur8,602,302* were also declared during the year (2017 – *Eur1,000,000*); *Eur0.12* per preference share ( 2017 – *Eur0.02*).

### 15. Intangible assets

	<b>Computer software Eur</b>
<b>Cost</b>	
At 01.01.2017	143,425
Additions	<u>4,561</u>
At 01.01.2018	147,986
Additions	<u>22,016</u>
At 31.12.2018	<u>170,002</u>
<b>Amortisation</b>	
At 01.01.2017	61,050
Provision for the year	<u>29,597</u>
At 01.01.2018	90,647
Provision for the year	<u>33,115</u>
At 31.12.2018	<u>123,762</u>
<b>Carrying amount</b>	
At 31.12.2017	<u>57,339</u>
<b>At 31.12.2018</b>	<u><b>46,240</b></u>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 16. Property, plant and equipment

	<b>Furniture, fittings and other equipment</b>
	<b>Eur</b>
<b>Cost</b>	
At 01.01.2017	144,104
Additions	56,123
Disposals	(2,031)
At 01.01.2018	198,196
Additions	186,703
<b>At 31.12.2018</b>	<b>384,899</b>
<b>Accumulated Depreciation</b>	
At 01.01.2017	86,774
Provision for the period	41,073
At 01.01.2018	127,847
Provision for the period	82,275
At 31.12.2018	210,122
<b>Carrying amount</b>	
At 31.12.2017	70,349
<b>At 31.12.2018</b>	<b>174,777</b>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets

#### *Investments in subsidiaries*

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

Carrying amount	Eur
At 01.01.2017	92,960,369
Additions	15,175,277
Impairment	(3,000,000)
At 01.01.2018	105,135,646
Additions	28,625,000
At 31.12.2019	<b>133,760,646</b>

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

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2018/2017	Holding	Portion of voting power held 2018/2017	Principal activity
		%		%	
1923 Investments plc	Malta	100 (100)	Direct	100 (100)	Holding Company
Harvest Technology Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
PTL Limited	Malta	100 (100)	Indirect	100 (100)	Sale of IT solutions and security systems
APCO Limited	Malta	100 (100)	Indirect	100 (100)	Sale of IT solutions and security systems
APCO Systems Limited	Malta	100 (100)	Indirect	100 (100)	Sale of IT solutions and security systems
iSpot Poland SP. Z O.O (formerly PTL Poland SP.Z.O.O)	Poland	100 (100)	Indirect	100 (100)	Sale of retail and IT solutions
SAD SP. Z O.O	Poland	100 (100)	Indirect	100 (100)	Sale of retail and IT solutions
iSpot Premium Romania	Romania	100 (100)	Indirect	100 (100)	Sale of retail and IT solutions
Ipsyon Limited	Malta	100 (100)	Indirect	100 (100)	Holding of intellectual property
Eunoia Limited	Malta	100 (100)	Indirect	100 (100)	Sale of software
Poang Limited	Malta	100 (50)	Indirect	100 (100)	Development software
Hili Logistics Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
Carmelo Caruana Company Limited	Malta	100 (100)	Indirect	100 (100)	Shipping agent and freight forwarders

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets

#### *Investments in subsidiaries (continued)*

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2018/2017	Holding	Portion of voting power held activity 2018/2017	Principal
Carmelo Caruana Freeport Operations Limited	Malta	100 (100)	Indirect	100 (100)	Transshipment and cross-storekeeping
Global Parcels Ltd	Malta	100 (100)	Indirect	100 (100)	Parcel delivery service
Allcom Sp. zoo	Poland	100(100)	Indirect	100 (100)	Shipping and Freight forwarding
STS Support Services BVI	British Virgin Islands	100 (100)	Indirect	100 (100)	Ship to ship transfer of oil products
Premier Capital plc	Malta	100 (100)	Direct	100 (100)	Holding Company
SIA Premier Restaurants Latvia	Latvia	99.99(99.99)	Indirect	99.99 (99.99)	Operated McDonald's restaurants in Latvia
AS Premier Restaurants Eesti	Estonia	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Estonia
Premier Restaurants UAB	Lithuania	99.99 (99.99)	Indirect	99.99 (99.99)	Operated McDonald's restaurants in Lithuania
Premier Restaurants Malta Limited	Malta	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Malta
Arcades Limited	Malta	100 (100)	Indirect	100 (100)	restaurants in Lithuania
Premier Arcades Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
Premier Assets (Malta) Limited	Malta	nil (100)	Indirect	100 (100)	Development and leasing of property
Premier Capital B.V	Netherlands	100 (100)	Indirect	100 (100)	Holding Company
Premier Capital Hellas S.A.	Greece	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Greece
Premier Restaurants Romania Srl	Romania	90 (Nil)	Indirect	90 (Nil)	Operated McDonald's restaurants in Romania
Premier Capital Srl	Romania	90 (Nil)	Indirect	90 (Nil)	Holding Company
Premier Capital Delaware Inc	United States	90 (Nil)	Indirect	100 (0)	Holding Company

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets (continued)

#### (a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2018/2017 %	Holding	Portion of voting power held activity 2018/2017 %	Principal
Hili properties plc	Malta	100 (100)	Direct	100 (100)	Holding Company
Hili Estates Holdings Limited	Malta	95 (95)	Indirect	95 (95)	Holding Company
Hili Estates Limited	Malta	95 (95)	Indirect	95 (95)	Hold and rent immovable property
Premier Estates Limited	Malta	95 (95)	Indirect	95 (95)	immovable property
Hili properties B.V	Netherlands	100 (100)	Indirect	100 (100)	Holding Company
OU Premier Estates Eesti	Estonia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
SIA "Premier Estates Ltd"	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Premier Estates Lietuva UAB	Lithuania	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Tukuma Projekts SIA	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Apex Investments SIA	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Hili Properties Swatar	Malta	100 (100)	Indirect	100 (100)	Hold and rent immovable property
Hili Premier Estates Romania Srl property	Romania	100 (Nil)	Indirect	100 (Nil)	Hold and rent immovable
SIA Tirdzniecibas centrs Dole	Latvia	100 (Nil)	Indirect		Nil Hold and rent immovable property
Motherwell Bridge Industries Limited	Malta	80 (80)	Direct	80(80)	Erection, refurbishment of container handling equipment
Motherwell Bridge Projects Limited	Malta	80 (80)	Indirect	80 (80)	Non -trading
Techniplus S.A.	Morocco	80 (80)	Indirect	80(80)	Crane and port services
iSpot Holdings BV (merged with 1923 Investments plc)	Netherlands-	N/A(100)	Indirect	N/A (100)	Holding Company

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets (continued)

#### (a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2018/2017 %	Holding	Portion of voting power held activity 2018/2017 %	Principal
Hili Company B.V (merged with Hili Logistics)	Netherlands	N/A(100)	Indirect	N/A (100)	Holding Company
Stride Technology Limited (merged with PTL Limited)	Malta	N/A(100)	Indirect	N/A (Nil)	Sale of software
Airsped Express Ltd (Merged with Carmelo Caruana Limited)	Malta	Nil (100)	Indirect	100(100)	Parcel delivery service

The registered addresses of the company's indirect subsidiaries at 31 December 2018 and 2017 are as follows:

#### Indirect Subsidiaries

Name of subsidiary	Registered office
PTL Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Harvest Technology Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
APCO Systems Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Poang Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
SAD SP. Z O.O	UL. Pulawska 2, 02-566 Warsaw, Poland
Ipsyon Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Eunoia Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets (continued)

#### (a) Investments in subsidiaries (continued)

##### Indirect Subsidiaries (continued)

Name of subsidiary	Registered office
Motherwell Bridge Projects Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Techniplus S. A	Zone Chantier Naval du port de Casablanca, Almohades Boulevard Casablanca Morocco
Arcades Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
AS Premier Restaurants Eesti	Ahtri tn 12, 6. korrus, Tallinn linn, Harju maakond, 10151, Estonia
Premier Arcades Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Capital B.V.	Strawinskylaan 3127, 8th floor, 1007 ZX Amsterdam, The Netherlands
Premier Capital Delaware Inc	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States
Premier Capital Hellas S.A.	59, Al. Panagouli Street, 15343 Agia Paraskevi, Athens, Greece

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets (continued)

#### (a) Investments in subsidiaries (continued)

##### Indirect Subsidiaries (continued)

Name of subsidiary	Registered office
Premier Capital SRL	4-8 Nicolae Titulescu Avenue, America House Building, West Wing, 5th Floor, 011141 Bucharest, Romania
Premier Restaurants Malta Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Restaurants Romania SRL	4-8 Nicolae Titulescu Avenue, West Wing, 5th Floor, 011141 Bucharest, Romania
Premier Restaurants Latvia SIA	6, Dunties Street, Riga LV-1013, Latvia
Premier Restaurants, UAB	Tumeno g. 4, Vilnius, LT-01109, Lithuania
Hili Estates Holdings Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Estates Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Properties (Swatar) Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Premier Estates Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Hili Properties BV	Strawinskylaan 3127, 1077x2, Amsterdam, Netherlands.
Premier Estates Eesti OÜ	Eesti, Mustamäe tee 16, Tallinn linn, Harju maakond, 1061.
Premier Estates Ltd SIA	Dunties street 6, Riga, LV – 1013, Latvia.
Premier Estates Lietuva UAB	Konstitucijos ave. 7, LT-09308, Vilnius, the Republic of Lithuania

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 17. Financial assets (continued)

#### *(a) Investments in subsidiaries (continued)*

#### *Indirect Subsidiaries (continued)*

Name of subsidiary	Registered office
Tukuma Projekts SIA	Citadeles 12, Riga LV-1, Latvia
Apex Investments SIA	Citadeles 12, Riga LV-1, Latvia
Hili Premier Estates Romania SRL	43, Bulevardul Aviatorilor, 011853 Bucharest, Romania
SIA Tirdzniecibas centrs Dole	Audēju iela 16, Riga, LV-1050, Latvia
Carmelo Caruana Freeport Operations Limited	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Global Parcels Ltd.	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
STS Support Services BVI	Moreno & Asvat (BVI) Limited, Palm Chambers, 197 Main Street, P.O. Box 3174, Road Town Tortola, British Virgin Islands
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 17. Financial assets (continued)

#### (b) Other financial assets

	Local Unlisted equity Eur
At 01.01.2018/ 31.12.2018	1,198

#### (c) Loans and receivables

	Loans to shareholders Eur	Loans to subsidiaries Eur	Loans to related parties Eur	Total Eur
<b>2017</b>				
<b>Amortised cost</b>				
At 31.12.2017	3,164,717	5,705,008	1,273,558	10,143,283
Less: amounts expected to be settled within 12 months (shown under current assets)	(4,241)	(2,497,170)	(23,078)	(2,524,489)
Amounts expected to be settled after 12 months	3,160,476	3,207,838	1,250,480	7,618,794
<b>2018</b>				
Amortised cost	6,968,734	11,611,171	379,395	18,959,300
At 31.12.2018				
Less: amounts expected to be settled within 12 months (shown under current assets)	-	(8,503,333)	(27,884)	(8,531,217)
Amounts expected to be settled after 12 months	6,968,734	3,107,838	351,511	10,428,083

The terms and conditions of the above loans are disclosed in note 25. The loans to subsidiaries bear interest at 4.5% (2017 – 4.5%) whilst the remaining loans are unsecured and interest free. *Eur*3,164,717 (2017- *Eur*7,618,794) of the loans have no fixed date for repayment and are not expected to be realised within twelve months after the reporting period.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 18. Other receivables

	2018	2017
	Eur	Eur
Other receivables	348,823	229,222
Prepayments and accrued income	84,596	76,235
	<b>433,419</b>	<b>305,457</b>
Less: amount due for settlement within 12 months (shown under current liabilities)	<b>(433,419)</b>	<b>(305,457)</b>
	-	-

The carrying value of trade and other receivables is considered a reasonable approximation of fair value.

No interest is charged on trade and other receivables. The terms and conditions of the amounts owed by related parties and subsidiaries are disclosed in note 25. Though these amounts have no fixed date for repayment, they are expected to be realised in the company's normal operating cycle

#### *Allowance for estimated irrecoverable amounts*

Other receivables of the company are stated net of an impairment provision for expected credit losses from non-performing receivables amounting to *Eur 621,814* (2017 – *Eur 621,814*). Movements in provisions for bad and doubtful receivables are included with administrative expenses.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 19. Trade and other payables

	2018 Eur	2017 Eur
Trade payables	216,597	158,881
Other payables	110,549	135,871
Accruals and deferred income	696,179	571,851
	<b>1,023,325</b>	866,603
Less: amount due for settlement within 12 months (shown under current liabilities)	<b>(1,023,325)</b>	(866,603)
Amount due for settlement after 12 months	-	-

No interest is charged on trade and other payables.

### 20. Bank loans and overdrafts

	2018 Eur	2017 Eur
Bank overdrafts	1,397,151	-
Bank loans	17,303,396	9,514,487
	<b>18,700,547</b>	9,514,487
Less: amount due for settlement within 12 months (shown under current liabilities)	<b>(3,571,978)</b>	(2,211,091)
Amount due for settlement after 12 months	<b>15,128,569</b>	7,303,396

The current obligation of the company to pay *Eur3,571,978* (2017- *Eur2,211,091*) within one year includes three loan facilities with HSBC Malta plc.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 20. Bank loans and overdrafts (continued)

Bank overdrafts and loans are payables as follows :

	2018	2017
	Eur	Eur
On demand or		
within one year	3,571,978	2,211,091
In the second year	2,201,212	2,179,088
In the third year	2,228,468	2,203,076
In the fourth year	698,889	2,233,732
In the fifth year	10,000,000	687,500
	<b>18,700,547</b>	<b>9,514,487</b>

Hili Ventures Ltd had two fully withdrawn loans facilities amounting to *Eur7,303,396* with HSBC Bank Malta. The loans bore an adjusted interest rate of 3-month EURIBOR +3.25% and are secured by a general hypothecary guarantee over all the assets of the company and by general and special hypothecary guarantees from one of its shareholders.

In December 2018, Hili Ventures Ltd secured a new loan facility with HSBC Malta amounting to *Eur10,000,000* and bears an adjusted interest rate of 3-month EURIBOR +3.25%. The loan is secured by a general hypothecary guarantee over all the assets of the company and by general guarantees over the same amount by a shareholder of the company and by one of its subsidiaries.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 21. Other financial liabilities

	2018 Eur	2017 Eur
Amounts owed to group undertakings	59,625,083	22,446,299
Other loans	-	16,797,802
	<b>59,625,083</b>	<b>39,244,101</b>
Less: amount due for settlement within 12 months ( shown as current liabilities)	<b>(2,962,650)</b>	<b>(12,909,517)</b>
Amount due for settlement after 12 months	<b>56,662,433</b>	<b>26,334,584</b>

The terms and conditions of amounts due to group undertakings are as follows :

- amounts of *Eur14,500,000* ( 2017- nil) that bear interest at 4.5% per annum, and are repayable by the 31<sup>st</sup> of December, 2020.
- An amount of *Eur41,930,958* that bears interest at 4.5% per annum, and is repayable by the 30<sup>th</sup> June, 2028.

In 2017 the amounts owed by the company to its shareholders of *Eur16,797,802* carried an interest rate of 4.5% -5%.

### 22. Deferred taxation

	Opening balances Eur	Recognised in Profit and Loss Eur	Closing balance Eur
2017			
Arising on:			
Other temporary differences	51,739	25,052	76,791
2018			
Arising on:			
Other temporary differences	76,791	40,070	116,861

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 23. Share capital

In 2017, Hili Ventures had the following share capital:

- Authorised share capital of 16,000,000 Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up., and
- Authorised Share Capital of 64,000,000 non-cumulative 6.8% redeemable preference shares of *Eur1* each, all of which were issued and called up. .

In 2018, the share capital was restructured to

- Authorised share capital of 16,000,000 Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up., and
- Authorised Share Capital of 79,000,000 non-cumulative 6.8% preference redeemable preference shares of *Eur1* each, of which 68,400,000 shares were issued and called up.

All ordinary shares issued in the company rank pari-passu in all respects including dividend rights and capital repayment rights.

Although the Preference Shares are redeemable they still meet the definition of an equity instrument as stipulated in International Accounting Standard 32, *Financial Instruments* as the redemption of the 68,400,000 preference shares at 6.8% are redeemable at par value at the option of the company by 31 December 2099 following a resolution to this effect at the General Meeting.

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividends payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are non-cumulative.

The above-mentioned shares have been subscribed to by the following shareholders:

- APM Holdings Ltd, 500,000 Ordinary Shares and 68,400,000 6.8% non-cumulative redeemable preference Shares.
- La Toc Ltd, 448,482 ordinary shares.
- Slingshot Capital Limited, 51,518 ordinary shares.

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividends payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are non-cumulative.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 24. 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:

	2018 Eur	2017 Eur
Cash at bank and on hand	114,057	1,769,922
Overdrawn bank balances	(1,397,151)	-
Cash and cash equivalents in in the statements of cash flows	(1,283,094)	1,769,922

Cash at bank earns interest at floating rates based on bank deposit rates.

### 25. Related party transactions

Hili Ventures Limited is the parent company of the undertakings highlighted in note 17.

The directors consider the ultimate controlling party to be Carmelo Hili, who during 2016 became the indirect owner of more than 50%.

During the course of the year, the company entered into transactions with related parties set out below.

	Related party activity Eur	Total activity Eur	%
2017			
Revenue:			
<i>Related party transactions with:</i>			
Subsidiaries	1,120,000	1,120,000	100%
Administrative expenses:			
<i>Related party transactions with:</i>			
Subsidiaries	549,795	4,540,029	12%
Finance expenses			
<i>Related party transactions with:</i>			
Subsidiaries	1,368,729	1,751,846	78%
Investment income:			
<i>Related party transactions with:</i>			
Subsidiaries	9,264,395	9,264,395	100%

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 25. Related party transactions (continued)

	Related party activity Eur	Total activity Eur	%
<b>2018</b>			
Revenue:			
<i>Related party transactions with:</i>			
Subsidiaries	<b>1,480,000</b>	1,480,000	100%
Administrative expenses:			
<i>Related party transactions with:</i>			
Subsidiaries	<b>392,139</b>	4,700,700	8%
Finance expenses			
<i>Related party transactions with:</i>			
Subsidiaries and related parties	<b>2,278,476</b>	2,625,882	87%
Investment income:			
<i>Related party transactions with:</i>			
Subsidiaries	<b>24,061,125</b>	24,061,125	100%

During the year under review, *Eur1,000,000* was recognised as an impairment loss on amounts due from related parties. This was a result of an impairment assessment carried out on the receivable due by one of the company's subsidiaries. Following such assessment, management has determined that such amount was not recoverable.

The amounts due from/to related parties at year-end are disclosed in note 17. Other than as disclosed in the respective note, 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.

### 26 Operating leases

	2018 Eur	2017 Eur
Operating leases recognised as expense for the year		
Minimum lease payments	<b>271,437</b>	133,483

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 26 Operating leases (continued)

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

	2018 Eur	2017 Eur
Within one year	332,526	127,403
Between one and 5 years	1,360,925	524,784
Over 5 years	1,814,062	889,187
	<u>3,507,513</u>	<u>1,541,374</u>

### 27 Significant non-cash transactions

During 2018 there were the following significant non-cash transactions:

- Included in dividends received from Premier Capital p.l.c. is an amount of *Eur5,000,000* which were used to set-off loans receivable of by the subsidiary,
- An amount of *Eur800,000* previously advanced by the company in the prior year to Motherwell Bridge were capitalised in the books of the subsidiary as share capital.

No significant non-cash transactions were incurred by the company during 2017.

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

At 31 December 2018 and 2017 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

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.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than the shares in subsidiary companies that are carried at cost, and the debt securities in issue, 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.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 28. Fair values of financial assets and financial liabilities (continued)

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

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
<b>2017</b>					
Financial assets					
Loans and receivables					
- receivables from related parties	-	10,143,283	-	10,143,283	10,143,283
Financial liabilities					
Financial liabilities at amortised cost					
Other financial liabilities	-	39,244,101	-	39,244,101	39,244,101
- bank loans	-	9,514,487	-	9,514,487	9,514,487
Total	-	48,758,588	-	48,758,588	48,758,588

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 28. Fair values of financial assets and financial liabilities (continued)

	Level 1	Level 2	Level 3	Total	Carrying amount
	Eur	Eur	Eur	Eur	Eur
<b>2018</b>					
Financial assets					
<i>Loans and receivables</i>					
- receivables from related parties	-	18,959,300	-	18,959,300	18,959,300
<b>Total</b>	-	18,959,300	-	18,959,300	18,959,300
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	59,625,083	-	59,625,083	59,625,083
other loans	-	-	-	-	-
- bank loans	-	18,700,547	-	18,700,547	18,700,547
<b>Total</b>	-	78,325,630	-	78,325,630	78,325,630

The fair values of the financial assets and liabilities included in level 2 and level 3 categories above 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 the credit risk of counterparties

The exposures to risk and the way risks arise, together with the 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 company's exposure to financial risks or the manner in which the company manages and measures these risks are disclosed below.

Where possible, the company aims to reduce and control risk concentrations of financial risk areas 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 Ventures Limited

## Notes to the financial statements

31 December 2018

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### 28. Fair values of financial assets and financial liabilities (continued)

#### *Credit risk*

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

Loans and receivables mainly consist of amounts due from subsidiaries, for which IFRS 9 is applied by the company, using the expected credit loss model for all group loans. As opposed to the simplified model, the expected credit loss model takes the weighted average of credit losses with the respective risks of defaults occurring as the weights. The assessment includes the following:

- Exposure of default : the total amount of loan outstanding,
- Probability of default : which refers to the percentage or likelihood that the borrower will not be able to repay the debt in the expected period,
- Loss given default : represents the loss suffered by the company if the borrower defaults and is not able to repay the loan.

After applying the expected credit loss model, the credit risk assessed by the company amounted to *Eur1,000,000*, which amount was provided for as disclosed in notes 3 and note 8 to these financial statements.

Other receivables consist of supplier advances, deferred income and also other receivables, which are primarily amounts assigned from group companies. As in the case of loans and receivables, the entity applied the expected credit loss model on other receivables at the year end. The carrying amount of other receivables after this assessment is considered to be recoverable at the year end.

The company holds money exclusively with an institution having high quality external credit ratings. The cash and cash equivalents held with such bank at 31 December 2018 and 2017 are callable on demand. All of the cash and cash equivalents are held in one bank. The bank with whom cash and cash equivalents is held has a credit rating of BBB by Standard and Poor's. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the company.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 28. Financial risk management

#### *Currency risk*

Foreign currency transactions arise when the the company buys or sells goods or services whose price is denominated in a 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 a foreign currency. Foreign currency transactions comprise mainly transactions in USD and GBP.

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.

#### *Interest rate risk*

The company have taken out bank facilities to finance its operations as disclosed in note 20. The terms of such borrowings are disclosed accordingly.

The effective interest rate on loans and receivables, other financial liabilities, bank borrowings, and cash at bank are disclosed in notes 17, 20, 21 and 24 respectively. The company is exposed to cash flow interest rate risk on borrowings carrying a floating interest rate and to fair value interest rate risk on borrowings carrying a fixed interest rate to the extent that these are measured at fair value. Investments in equity instruments are not exposed to interest rate risk. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices or by restructuring its financing structure.

The carrying amounts of the 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 company has used a sensitivity analysis technique that measures the change in cash flows of the company'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.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 28. Financial risk management (continued)

#### *Interest rate risk (continued)*

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:

	Profit or loss sensitivity	
	2018	2017
	Eur	Eur
Market interest rates – cash flow	+/- 93k	+/- 39k

The sensitivity on profit or loss in respect of market interest rates is mainly attributable to bank overdraft and bank loans. The sensitivity analysis is for illustrative purposes only, as in practice market rates rarely change in isolation and are likely to be interdependent.

#### *Liquidity risk*

The company monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both their financial assets and financial liabilities and by monitoring the availability of raising funds to meet financial obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month period, which is adjusted monthly and monitored on a weekly basis, to ensure that any additional financing requirements are addressed in a timely manner.

The company is exposed to liquidity risk in relation to meeting the future obligations associated with their financial liabilities, which comprise principally trade and other payables, other financial liabilities and interest-bearing borrowings (refer to notes 19, 20, and 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 28. Financial risk management (continued)

#### *Liquidity risk (continued)*

At the end of the reporting period, the company reported a net current asset position of *Eur*4,009,623 (2017 – current liability position of *Eur*9,833,313).

The directors have reviewed cash flow projections that have been prepared for the next 12 months. The company budgets and cash flow forecasts assume that the company continues to operate within its current credit limits afforded by third party creditors and a strategy to continue to invest in capital expenditure as far as possible from working capital for at least the next 12 months. Based on continued operating profitability, the directors are confident that the company will have no difficulty to continue to meet its commitments as and when they fall due.

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 group can be required to pay. The analysis includes both interest and principal cash flows.

	On demand or within 1 year	Within 2-5 years	More than 5 years	Total
	Eur	Eur	Eur	Eur
<b>2017</b>				
<b>Non-derivatives</b>				
<b>financial liabilities</b>				
Non-interest bearing	866,603	-	-	866,603
Fixed Interest-bearing	12,909,517	26,334,584	-	39,244,101
Variable rate instruments	2,211,091	7,303,396	-	9,514,487
	<u>15,987,211</u>	<u>33,637,980</u>	<u>-</u>	<u>49,625,191</u>
<b>2018</b>				
<b>Non-derivatives</b>				
<b>financial liabilities</b>				
Non-interest bearing	3,754,500	-	231,475	3,985,975
Fixed Interest-bearing	2,516,893	22,177,572	51,365,423	76,059,888
Variable rate instruments	3,571,978	2,201,212	12,927,357	18,700,547
	<u>9,843,371</u>	<u>24,378,784</u>	<u>64,524,254</u>	<u>98,746,410</u>

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

### 28. Financial risk management (continued)

#### *Liquidity risk (continued)*

The table below details changes in the company's liabilities arising from financing activities, including 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:

	Opening Balance Eur	Cash Eur	Closing Balance Eur
2017			
Bank Loans	12,275,000	(2,760,513)	9,514,487
Other loans	15,100,000	1,697,802	16,797,802
	Opening Balance Eur	Cash Eur	Closing Balance Eur
2018			
Bank Loans	9,514,487	7,788,909	17,303,396
Other loans	16,797,802	(16,797,802)	-

#### *Capital risk management*

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

The capital structure of the company consists of debt, which includes the borrowings disclosed in notes 20 and 21 cash and cash equivalents as disclosed in note 24 and of items presented within equity in the statement of financial position.

The directors manage the capital structure and adjust it, considering 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.

# Hili Ventures Limited

## Notes to the financial statements

31 December 2018

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### 29. Contingent Liabilities

At the end of the reporting period, Hili Ventures limited acted as a guarantor for bonds issued by Hili Finance p.l.c. for the amount of *Eur40,000,000*.

### 30. Events after the reporting period

On the 14<sup>th</sup> of January 2019, Hili Ventures invested in Gozo Express Services Limited, a company based in Gozo which specialises in a range of activities including courier, freight, lifting and removals. Gozo Express Services' core business is courier services between the islands, focusing on daily runs with sameday delivery, freight and customs, and warehousing.

## Independent auditor's report

To the shareholders of Hili Ventures Limited

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Hili Ventures Limited set out on pages 5 to 55 which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### **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 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.

#### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' report shown on pages 2 and 3 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.

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

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the 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 its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

#### **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 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 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.

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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on other legal and regulatory requirements**

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
- the financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.

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

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**  
**Certified Public Accountants**

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29 April 2019