



HILI
VENTURES

Annual Report **2018**



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Hili Ventures

Hili Ventures is the privately-held holding company of a diversified group with a deep-rooted entrepreneurial heritage dating back to 1923. From its head office in Malta, Hili Ventures steers the group towards consistent, sustainable growth. Through underlying groups of companies and its own finance company, Hili Ventures oversees operations in Estonia, Greece, Hungary, Latvia, Lithuania, the Maltese Islands, Morocco, the United Kingdom, Poland and Romania.

Hili Ventures is engaged in multi-sited activities in partnership with McDonald's and Apple, logistics, marine & engineering, technology, property, hospitality, and leasing.

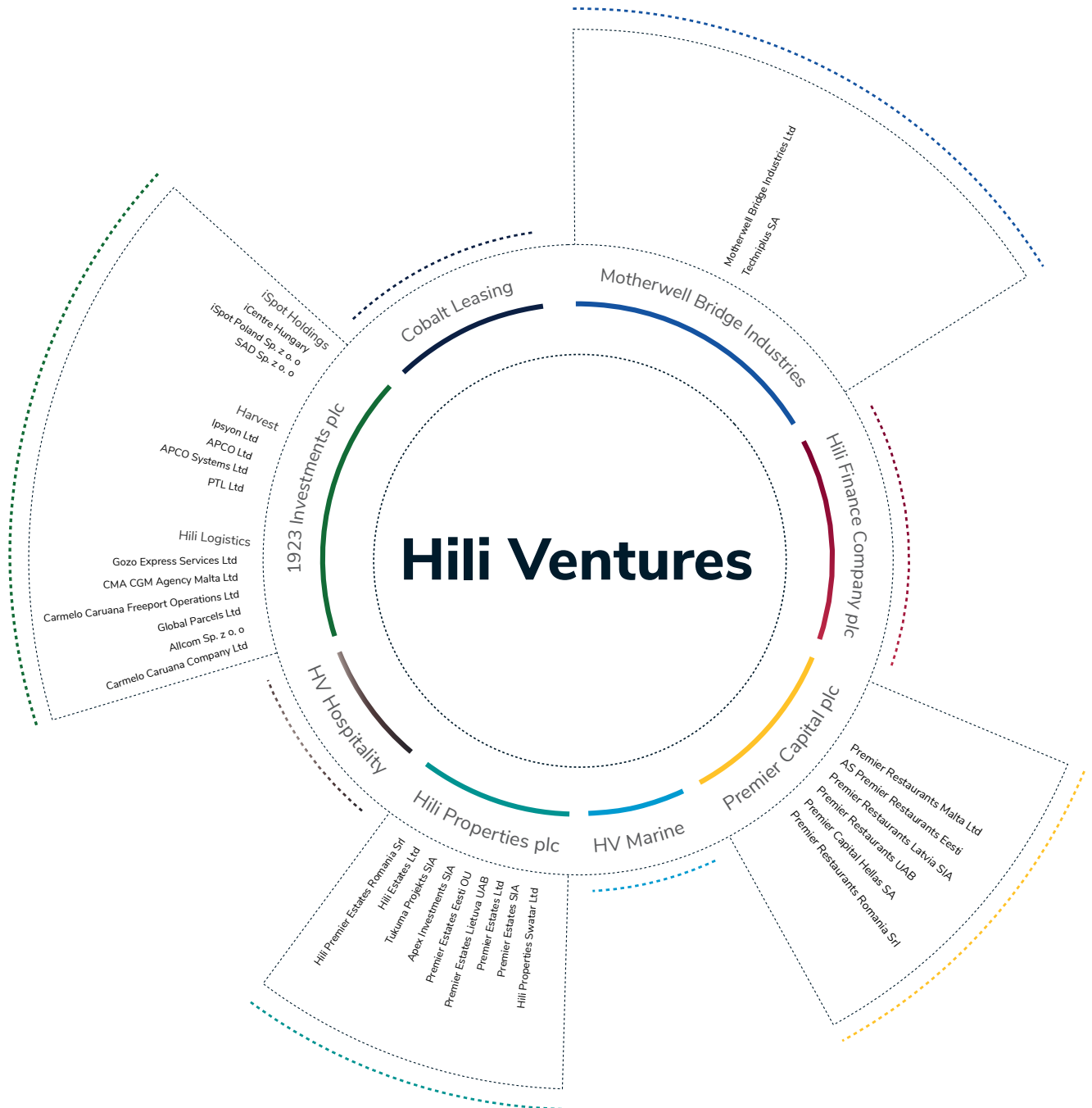
The group extends its presence to 10 countries across Central and Eastern Europe and North Africa with a team of more than 9,000 people. Across its functions, Hili Ventures partners world-leading brands to service a wide-ranging B2B and B2C client base in an array of sectors.

Hili Ventures is a proud partner of Allison, Apple, Cisco, CMA CGM, Gemalto, GLS, Hoffman, IBM, Konecranes, Lenovo, McDonald's, Microsoft, Tranter, Terberg and many others.

Shaped by a track record for leadership, investment, and market knowledge, Hili Ventures prides itself on being a partner of choice, a supplier of choice, and an employer of choice.

The group reaches out to customers with a portfolio of capabilities and the ability to offer multi-faceted solutions by tapping numerous in-house synergies. In this way, Hili Ventures is advantaged by assets, people and connections across an extensive business network.

Group Structure



Lines of Business

Premier Capital plc

McDonald's

Premier Capital plc is the Developmental Licencee for McDonald's, operating more than 149 restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania, thanks to a team of 8,200 people.

Its network of McDonald's restaurants, which includes more than 77 McDrives and over 52 McCafe counters, enjoys consistent investment in development and innovation.

In 2018, 119 million customers were served at McDonald's restaurants operated by Premier Capital plc.



Hili Properties plc

Real Estate

Hili Properties plc holds and manages an extensive portfolio of strategic assets in key locations in Malta, Romania and around the Baltics.

The portfolio, currently valued at €120 million, comprises 23 properties including commercial and retail property in Malta, Latvia, Lithuania, Estonia, and Romania. Its real estate houses McDonald's restaurants, grocery-anchored shopping centers, and dedicated office blocks. Tenants include operators of major international brands and private healthcare facilities.

With decades of experience in property management, development and repositioning, every asset in Hili Properties plc's portfolio is managed to realise its full potential to benefit tenants.



1923 Investments plc

Technology, Logistics,
Apple Premium Resellers

1923 Investments plc is a diversified holding company focused on the pursuit of opportunities to acquire and nurture companies to generate attractive returns and maximise value for stakeholders.

1923 Investments plc encompasses Harvest, Hili Logistics and iSpot Holdings.

These activities located in Malta, Poland and Hungary are engaged in innovation for businesses, retail of some of the world's most desirable technology products, and the mobility of goods and cargo across regions.



Hili Finance plc

Finance

Hili Finance Company plc acts as the finance company for Hili Ventures and its subsidiaries.

Operating from Malta, Hili Finance Company plc acquires, holds and manages assets and other financial interests for Hili Ventures, of which it is a wholly owned subsidiary.

Hili Finance Company plc raises finance for the business of Hili Ventures through the issue of bonds on the Malta Stock Exchange.



Motherwell Bridge Industries Ltd

Engineering

Operating from a 15,240-square metre industrial plant in Hal Far, Motherwell Bridge Industries' Malta facility specialises in on-site construction and maintenance of port-handling equipment, non-destructive testing inspections, technical training, and tooling.

Motherwell Bridge Industries has been a preferred subcontractor for Finnish crane builder Konecranes for over 10 years, and has project-managed the installation of more than 200 port terminal cranes in Europe, Asia, the United States, and the Middle East.

Motherwell Bridge Industries also encompasses Techniplus, a multi-disciplinary engineering company based in Casablanca, engaged in the maintenance and servicing of port cargo handling equipment at Morocco's major ports.



HV Marine Ltd

Marine

Established in 2019, HV Marine is set to become the holding company of a diversified and reputable array of businesses operating in the marine industry.

Its vision is to develop a strong network of critical infrastructure for berthing, operating and servicing of yachts. Its mission is to become the leader in providing high quality marine facilities and complementary services, delivered to customers through sustainable businesses which encourage local employment and add value to local economies.

As part of its growth strategy HV Marine is continuously seeking new opportunities through acquisitions, joint ventures or strategic partnerships.



Cobalt Leasing Ltd

Leasing

Cobalt is a boutique container lessor dedicated to providing client-centric, cost-effective and seamless service. It leases, rents and trades in shipping containers around the globe.

Container leasing grants customers three key benefits which Cobalt optimizes for clients - flexibility, capital and resource freedom, and risk mitigation.

By leasing containers, businesses enjoy freedom from the capital commitment required to own and manage containers. Leasing also minimises exposure to business and compliance risk enabling clients to focus on their value drivers.



HV Hospitality Ltd

Hotels & Resorts

Established in 2019, HV Hospitality is a dedicated investor in distinct properties and locations around Europe. Building on the expertise and track record of its team, it has set out to develop exquisite hotels and resorts and nurture the potential of urban assets.

With the ability to raise capital to secure singular assets for its portfolio and a drive to leave its mark on the luxury sector, HV Hospitality seeks to partner major brands, leading international architects and designers, and ambitious professionals for its first projects.







“ Our commercial success is driven by our people and their potential for personal and professional development ”

Steve Tarr
July 2019

Chairman's Statement

With Hili Ventures poised for considerable diversification from 2019, we dedicated the greater part of 2018 to planning the group's future guise. We mapped out new structures, injected our wider team with new talent, and increased oversight.

We remain committed to maintaining the highest standards of corporate governance. This is in keeping with our values and our moral obligation to our shareholders and the thousands of private investors who placed their trust in our underlying groups' investment propositions. I am pleased to report that in 2018 our boards met with strict regularity and our filings were as timely as was possible.

As one of the largest issuers of corporate bonds on the Malta Stock Exchange and with the good fortune to have

access to ample resources and infrastructure, we like to think we are among the standard bearers of good practice in corporate governance.

Additional external directors have been brought onto boards to ensure there is an appropriate level of oversight and scrutiny within our governance structures.

We now have more than 12 independent non-executive directors on our various boards. They are crucial as they collectively bring to the table many years of experience and a wide range of expertise. They support our leaders to turn challenges into opportunities and help them drive the business.

As we appoint internal directors to the boards of our new companies Cobalt, HV Hospitality and HV Marine, and as we revisit

the composition of others, it is crucial that the correct mix of skills and disciplines is brought to the table.

Risk was high on our agenda towards the end of 2018 and leading into 2019 as we caused boards to assess their companies' exposure to uncertainty and consequently draw up action plans to avert and mitigate risk. I must thank our Senior Director of Business Transformation Eddy Vermeir for leading this critical group-wide exercise to coach our board members and our management teams and for providing them with invaluable resources.

We have worked hard on instilling a strong sense of responsibility and accountability among our leaders and we are pleased to see our management's culture constantly renewed by ever more

positive attitude and behaviour. I believe there is room for greater consistency where accountability is concerned in a group of this scale and size.

Our commercial success greatly depends on the comprehensive leadership qualities of our most senior people and we will continue to nurture their skill set. In 2019, we will drive more focus to our budgeting and planning and support the processes where we can as these underpin our readiness for growth.

Of course, our commercial success is driven by our people and their potential for personal and professional development. Towards the end of the year, we listened to what our people

had to say about work and experiences across Hili Ventures. We have invested in some stunning work environment improvements and introduced further rewards. In 2019 we will examine the feasibility of additional benefits for our staff related to family needs, well-being and increased flexibility.

The EU's General Data Protection Regulation (GDPR) came into force in May of last year and after what seemed to be a colossal amount of work to ensure the entire group complied, we handed responsibility over to the individual companies.

GDPR will be a continuous 'work in progress' and we pledge to give our leaders the support they

need to have appropriate and updated checks and balances in place at all times. Our processes have been tested on a couple of occasions and I am pleased to report that the proper protocols kicked in and all was dealt with professionally and efficiently.

Hili Ventures is in a strong position. Our plan for the next five years will undoubtedly be a test not only of our vision and our strategy, but of our mettle and our strength as a business and as a group of people working towards a common goal: being the best we can be.



Board of Directors



Steve Tarr

Chairman

Steve Tarr is a certified management consultant and sits on a number of company boards in the UK, Malta and Germany. He has been involved in more than 20 mergers and acquisitions and is a specialist in supporting organisations in change management and people management. Mr Tarr established Mdina International, a management and people consultancy in 1980, after an apprenticeship in engineering and a career in sales in the UK. He has delivered bespoke training programmes to thousands of people within organisations of all sizes in more than 30 countries. Mdina International has offices in the UK, Malta and Germany. Mr Tarr is Chairman of iSpot Holdings.



Melo Hili

Chief Executive Officer

Melo Hili joined the family business in 1988 and was appointed Managing Director of Motherwell Bridge, then a joint venture with Motherwell Bridge Group of Scotland. He later also headed the company's Italian operation and was a board member of Motherwell Bridge Bhicam in the Bahamas. Mr Hili was named Developmental Licencee for McDonald's in Malta in 2005, for Estonia, Latvia and Lithuania in 2007, for Greece in 2011, and for Romania in 2016. He is Chairman of Premier Capital and Motherwell Bridge Industries, and Chief Executive Officer of 1923 Investments.



Richard Abdilla Castillo

Director

A certified public accountant, Richard Abdilla Castillo joined the organisation in 1989 as a financial controller and has since been extensively involved in the growth of the group's companies. Mr Abdilla Castillo previously occupied senior roles at KPMG Malta, formerly Joe Tabone and Co., within the firm's consultancy division. He was responsible for several companies in diverse industries, based in Malta and abroad. Mr Abdilla Castillo is Chairman of Hili Properties.



Victor Tedesco

Director

Victor Tedesco joined the McDonald's team in Malta before the first restaurant opened in Valletta in 1995. He was part of the team that opened the Valletta, St Julian's and Sliema restaurants and was St Julian's store manager for three years during which time he won a Manager of the Year award. After some time as Operations Manager, he was appointed Director of Operations for the Baltics in 2007 and moved to Riga for three and a half years. In 2011, he was entrusted with leading the operation in Greece. He returned to Malta in 2014 as Managing Director for Malta and Greece. A year later, he was appointed Chief Executive Officer of Premier Capital, assuming responsibility for the McDonald's operations in Greece, the Baltics, Malta and later Romania. Mr Tedesco is also a Director of Hili Properties and Chairman of HV Hospitality.



Jesmond Mizzi

Director

Jesmond Mizzi is Managing Director of Jesmond Mizzi Financial Advisors, which he co-founded in 2002. He has a financial services career spanning almost 20 years and has held senior roles with a listed company in Malta. Mr Mizzi previously spent six years managing a family catering business and was at PricewaterhouseCoopers for seven years. Mr Mizzi also served as a Director of Premier Capital.



Melanie Miceli Demajo

Company Secretary

Melanie Miceli Demajo graduated Doctor of Laws from the University of Malta in 2002 and was admitted to the bar in 2003. She has a Master's in Law specialising in Commercial and Corporate Law from University College London and a Master of Arts in Financial Services from the University of Malta. Dr Miceli Demajo has been a Partner at Maltese law firm Gonzi & Associates since 2012. She was previously Group Legal Advisor at M. Demajo Group, a multi-disciplinary group of companies.







“ Hili Ventures has, from January 2019, grown to seven business units, each with their own vision and strategy ”

Melo Hili
July 2019

Chief Executive's Review

2018, the year in review, was the opening chapter of our five-year journey to Hili Ventures' centenary in 2023 and served to ready the group for our ambitious expansion programme. By the end of the year, we were all set to share our vision for the road ahead with our internal teams. Hili Ventures has, from January 2019, grown to seven business units, each with their own vision and strategy.

Operating a group this size across 10 markets presents a variety of opportunities and not a few challenges. Our activities in property and technology rang in solid results in 2018, and we are delighted with the turnaround at Motherwell Bridge where the business is stabilising after a negative 2017. We will continue to support the teams within our logistics businesses so that they

are able to realise their market potential more rapidly. There was year-on-year revenue growth at our Apple business where we however need to sharpen our focus in order to enhance profitability in 2019.

We look ahead with optimism and excitement. We are confident we are on track to report revenues of €500 million in 2019. This is a major achievement for our 9,000 people who serve our retail and corporate customers every day with dedication and a passion for the 25-odd brands we partner.

This growth has come from across the board, but the main contributors continue to be our two largest activities: our McDonald's business in Estonia, Greece, Latvia, Lithuania, Malta and Romania, and iSpot, our

Apple Premium Reseller chain in Poland. Around 90% came from outside Malta, our home market.

Premier Capital, our McDonald's licensee, posted exceptional results for 2018, lifting its turnover from the previous year to a record €294 million. Thanks to a team of more than 8,000 people in 146 McDonald's restaurants, Premier Capital served 119 million customers last year, seven million more than in 2017.

We will open 13 McDonald's restaurants in 2019 and we will continue to invest in remodelling existing restaurants and introducing further innovation so that our customers can enjoy the best McDonald's experience possible. A similar number of openings is planned for 2020 and 2021.

We have earmarked a total of €200 million for our group-wide investment programme for the next three years. Approximately half of this will be directed to existing activities. The rest will be channelled towards new business, which also means more people being brought to the fold. By 2021-22, we estimate to have recruited an additional 1,000 people to take our total 'global' talent pool past 10,000.

2019 is the year we will diversify the group quite significantly. In the first quarter of this year, we established a company called Cobalt in London which is engaged in the container leasing industry. Cobalt's primary customers are major shipping lines and it has brought a set of advantageous leasing propositions to the market.

We have identified a space in the yachting sector in the Mediterranean for another new company, HV Marine. We are in the process of assembling a leadership team for the company which will be involved in technical management, yacht refits and the development and management

of marinas. The business models here will vary from 100 per cent ownership to joint ventures with international partners.

Our long-established engineering company Motherwell Bridge, based in Hal Far, will have a significant role to play in this area. In Malta, it has secured an excellent track record for its marine engineering capabilities, besides of course its prowess for maintenance of heavy equipment in ports. Its sister company Techniplus, based in Casablanca, also offers similar capabilities. I believe we are well placed to build a compelling business in yachting and in carefully selected marine activities in the medium term.

Hili Ventures is also investing in hospitality. This is an entirely new area of business for us. We have established a company called HV Hospitality and we are bringing a team of highly experienced professionals together to get this new subsidiary of the group off the ground.

This team is examining the potential of a number of great properties in the hospitality

industry where our primary interest is islands in the Mediterranean.

It has always been our ambition to position Hili Ventures as an investment partner on the continent, and possibly beyond. Our track record in safeguarding the integrity of major brands in multiple markets and our unwavering commitment to investing in our business and in our people sets us apart. As we go about diversifying the business and broadening our horizons, we will continue to be open to partnerships with global names and in enhancing activities so that they can be positioned for sustainable growth.

I firmly believe that people and businesses grow together, and it is imperative to invest time and focus in our people. Our achievements are the result of our collective efforts, the sharing of knowledge, and teams in our various businesses supporting each other. We must never lose sight of the advantages and the opportunities that arise from our people working together within the group.





Leadership

Executive Team

Melo Hili
Chief Executive Officer

Geoffrey Camilleri
Chief Financial Officer

Richard Abdilla Castillo
Director

David Vella
Chief People Officer

Valentin Truta
General Counsel

Eddy Vermeir
Senior Director of Business Transformation

Joanna Ripard
Director of Communications

Therese Camilleri
Director of Mergers and Acquisitions

Conrad Aquilina
Director of IT

Martin Xuereb
Director of Business Development

Leadership Team - Subsidiaries

Melo Hili
Chief Executive Officer | 1923 Investments plc

Victor Tedesco
Chief Executive Officer | Premier Capital plc

Geoffrey Camilleri
Executive Director | Hili Finance Company plc

Sandra Murniece
Managing Director | Hili Properties plc

Joe Degabriele
Managing Director | HV Marine Ltd

Raymond McGhee
Managing Director | HV Hospitality Ltd

Rob Hawking
Managing Director | Cobalt Leasing Ltd

Audit Committee

Jesmond Mizzi
Chairman

Karl Fritz
Member

Richard Abdilla Castillo
Member



“ The group generated revenue of nearly €400 million, an increase of 16% when compared to the previous year ”

Geoffrey Camilleri
July 2019

Chief Financial Officer's Report for the year ended December 31, 2018

In 2018 the group's revenue amounted to €427.4 million, an increase of €30.9 million (+8%) when compared to the prior year. The growth in revenue was predominantly achieved from the business expansion at Premier Capital.

At the operating level, EBITDA increased in line with revenue by 8% and amounted to €43 million (2017: €39.5 million).

Net investment income amounted to €0.6 million and principally comprised net gains on disposal of investment property of €1 million, interest income of €0.5 million and a net decrease in fair value of investment property of €0.9 million. In 2018, Hili Ventures reported a net profit of €11.8 million compared to €6.9 million in 2017, while total comprehensive income

amounted to €13.7 million compared to €11 million achieved in the prior year.

In 2018 Hili Ventures raised €36.3 million net cash from operating activities. A net outflow of €34.5 million was registered from net investing activities namely relating to the capital expenditure on the McDonald's restaurants and the acquisition cost of investment property in Latvia.

Net cash inflow from financing activities amounted to €8.5 million and included the new Hili Finance Company plc bond issue and the servicing of bank borrowings. Hili Ventures closed the year with a balance of cash and cash equivalents amounting to €33.8 million.

As at end of year, the total assets of the group had increased from

€408.2 million to €455.1 million while total liabilities increased from €325.3 million to €368.7 million.

The profitability registered during 2018, net of dividends escalated to the majority and minority shareholders led to the equity of the group from €82.9 million to €86.4 million.

In 2018, Hili Ventures maintained a similar EBITDA margin as the previous year at 10%. Interest cover and net profit margin improved over the previous year, now standing at 3.57 times and 3% respectively. The net gearing ratio also remained relatively in line with the previous year at 73%.

Key Accounting Ratios

	2016	2017	2018
EBITDA margin (EBITDA/ revenue)	11%	10%	10%
Interest cover (times) (EBITDA/ net finance cost)	3.31	3.27	3.57
Net profit margin (profit after tax/ revenue)	1%	2%	3%
Earnings per share (€) (Profit after tax/ number of shares)	4.86	6.89	11.81
Return on equity (Profit after tax/ shareholders' equity)	7%	8%	14%
Return on capital employed (EBITDA/ total assets less current liabilities)	13%	12%	12%
Return on assets (Profit after tax/ total assets)	1%	2%	3%



Finance Summary by Underlying Group

Premier Capital plc

Premier Capital achieved an operating profit of €26 million in 2018 compared to €23.4 million in 2017. All markets contributed to the growth in revenue in 2018. Romania contributed to the highest market share with 56% of revenue; Greece and Lithuania contributed 11% and 9% respectively to revenue, while Malta, Estonia and Latvia each contributed 8% of total revenue. Premier Capital pursued its expansion plans and in 2018 invested over €20 million in capital expenditure including opening 10 new restaurants and remodelling three. The profit after tax amounted to €17.9 million in 2018 compared to a profit after tax of €15.9 million in 2017. The Net Asset Value as at end of 2018 stood at €48.7 million (2017: €47.6 million).



Hili Properties plc

Hili Properties registered an operating profit of €5.3 million (2017: €4.4 million). The improvement in the operating profit was mainly attributable to the full year effect generated from the business acquired in Romania in May 2017, which contributed a full year of operations compared to eight months in the previous year. In late 2018, Hili Properties acquired Dole Shopping Complex in Latvia. This acquisition, with the capital expenditure along the year, added to the value of Hili Properties' real estate portfolio which as at end of 2018 was valued at €100 million. The profit after tax amounted to €2.1 million in 2018 compared to a profit after tax of €3.1 million in 2017. The Net Asset Value as at end of 2018 stood at €52.2 million (2017: €38.3 million).



1923 Investments plc

In 2018, 1923 Investments registered a year-on-year increase in revenue of €24.5 million, but pre-tax loss increased by €1 million when compared to the prior year. The increase in revenue is mainly due to the inclusion of Hili Logistics as part of the division during 2018 (following the acquisition of Hili Logistics in December 2017). Profitability was lower primarily due to weaker performance registered by the iSpot Holdings subgroup. The loss after tax amounted to €1.2 million in 2018 compared to a loss after tax of €0.7 million in 2017. The Net Asset Value as at end of 2018 stood at €38.3 million (2017: €33.7 million).



Hili Finance Company plc

Hili Finance Company was incorporated in April 2018 with an issued share capital of €2 million. In July 2018, the company successfully raised €40 million through the issuance of 3.85% Unsecured Bonds 2028 and thereafter such amount was on-lent to Hili Ventures Ltd and used to inject further capital in 1923 Investments plc and Hili Properties plc and to repay an existing shareholder loan. Hili Ventures acts as Guarantor to the Bond. The financial results on Hili Finance Company are restricted to interest payable on the bond, interest receivable on the intercompany loan and limited overheads. The Net Asset Value as at end of 2018 stood at €2.1 million (2017: nil).



Motherwell Bridge Industries Ltd

In 2018, Motherwell Bridge Industries registered an operating loss of €173,000 (2017: loss of €1.4 million) on revenue of €4.2 million (2017: €5.4 million). During 2018, the company realigned its focus on its core operations namely local services and crane assembly projects. Specifically, during 2018, revenues generated from crane assembly operations registered a healthy improvement over the previous year: revenue from this line of business accounted for nearly 30% of revenue compared to 1% in previous year. The loss after tax amounted to €214,000 in 2018 compared to a loss after tax of €926,000 in 2017. The Net Asset Value as at end of 2018 stood at €1.1 million (2017: €0.5 million).







Statement of profit or loss and other comprehensive income

Group
2018
Eur

Group
2017
Eur

Continuing operations

Revenue	427,410,165	396,488,056
Cost of sales	(343,430,339)	(320,344,445)
Gross profit	83,979,826	76,143,611

Other operating income	2,297,170	2,247,352
Other operating expenses	(35,853)	-
Selling expenses	(17,869,534)	(15,755,985)
Administrative expenses	(41,248,338)	(38,024,664)

Operating profit/(loss)	27,123,271	24,610,314
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Investment income	3,605,718	3,797,309
Investment losses	(2,962,027)	(6,946,048)
Net investment income	643,691	(3,148,739)

Finance costs	(11,995,966)	(12,102,408)
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Profit before tax	15,770,996	9,359,167
Income tax (expense)/ credit	(3,959,349)	(2,460,855)

Profit for the year from continuing operations	11,811,647	6,898,312
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Discontinued operation

Loss for the year from discontinued operations	-	(4,988)
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Total profit for the year	11,811,647	6,893,324
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Other comprehensive income net of income tax

Net loss on available for sale financial assets	(39,327)	(360,561)
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Exchange differences on translation of foreign operations	(2,310,795)	1,312,403
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Gain on revaluation of property, plant and equipment	4,244,449	3,126,794
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Other comprehensive income for the year, net of tax	1,894,327	4,078,636
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Total comprehensive income for the year	13,705,974	10,971,961
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Profit attributable to:

Owners of the company	9,853,408	5,564,767
Non-controlling interests	1,958,239	1,328,557
	11,811,647	6,893,324

Total comprehensive income attributable to:

Owners of the company	11,888,911	9,643,404
Non-controlling interests	1,817,063	1,328,557
	13,705,974	10,971,961

Statement of financial position

	Group 2018 Eur	Group 2017 Eur
Assets and liabilities		
Non-current assets		
Goodwill	79,725,756	81,449,181
Intangible assets	21,705,789	23,096,077
Property, plant and equipment	124,759,743	111,948,052
Investment property	79,654,109	73,801,807
Property held for sale	6,477,700	-
Investments in subsidiaries	-	-
Investments in associates	107,950	221,755
Investments in joint ventures	800,439	1,036,122
Other financial assets	75,000	50,000
Financial assets at fair value through other comprehensive income	856,267	890,697
Loans and receivables	11,577,230	8,676,665
Deposit on acquisition of investments	26,800,000	24,500,000
Trade and other receivables	2,350,724	2,220,214
Deferred tax assets	2,715,818	2,252,769
Restricted cash	831,178	353,700
	358,437,703	330,497,039
Current assets		
Inventories	22,683,673	17,844,853
Other financial asset investments	1,740,484	1,746,567
Loans and receivables	5,424,824	4,986,207
Contract assets	1,140,595	-
Trade and other receivables	20,751,405	22,469,435
Cash and cash equivalents	40,354,790	27,283,670
Current tax assets	4,579,379	3,139,126
Property held for sale	-	237,000
	96,675,150	77,706,858
Total assets	455,112,853	408,203,897
Current liabilities		
Trade and other payables	67,913,676	58,250,188
Contract liabilities	1,735,549	-
Other financial liabilities	1,610,225	11,422,440
Bank loans and overdrafts	18,403,217	18,619,207
Current tax liability	4,724,086	2,666,029
	94,386,753	90,957,864
Non-current liabilities		
Debt securities in issue	175,627,591	136,002,478
Trade and other payables	1,619,274	1,844,923
Other financial liabilities	8,407,668	14,168,670
Bank loans	81,901,312	75,716,503
Provisions	304,402	195,560
Deferred tax liabilities	6,475,689	6,448,399
	274,335,936	234,376,533
Total liabilities	368,722,689	325,334,397
Net assets	86,390,164	82,869,500
Equity		
Share capital	69,400,000	65,000,000
Other equity	3,201,257	5,261,822
Retained earnings	9,416,577	8,477,309
	82,017,834	78,739,131
Total equity	82,017,834	78,739,131
Non-controlling interests	4,372,330	4,130,369
Total equity	86,390,164	82,869,500

Cash flow from operating activities

Group
2018
Eur

Group
2017
Eur

Profit before tax	15,770,996	9,354,179
Adjustments for:		
Depreciation and amortisation	15,730,672	14,148,399
Net exchange differences	11,561	(191,018)
Bad debts written off	(19,731)	14,395
Bond amortisation costs	278,414	263,256
Acquisition related costs	-	490,525
Movement in provision for doubtful debts	560,615	334,473
Interest income on bank deposits and financial assets	(189,157)	(52,927)
Interest payable	10,788,181	11,839,152
Interest income on amounts due from related parties	(274,729)	-
Interest payable on amounts owed to related parties	715,050	-
Non-cash dividends received	-	-
Share of profit of associated undertakings	(121,593)	(85,753)
Share of profits in jointly controlled entities	(69,714)	(22,240)
Gain on available for sale investments	-	(302,506)
Loss on derivative financial instrument	174,895	-
Decrease in fair value of investment property	2,232,727	3,126,794
Loss on disposal of intangible asset	44,417	-
Gain on bargain purchase price	(1,592,964)	-
Gain on derivative financial instruments	(1,867)	-
Loss on disposal of investment property	551,400	96,170
Loss on disposal of property, plant and equipment	431,619	-
Increase in fair value of investment property	(1,327,830)	888,267
Stocks written off	115,734	232,016
Impairment on loans and receivables	-	-
Impairment of property, plant and equipment	33,975	58,430
Value of services provided by an officer of the group	38,441	-
Fair value of movement on financial asset investment	6,083	-
Impairment on investment in subsidiary	-	-
Impairment of goodwill	-	5,215,030
Net cash flows from continuing operations	43,887,195	45,406,641
Net cash outflows from discontinued operations	-	(4,988)
Operating profit before working capital movement	43,887,195	45,401,653
Movement in inventories	(4,954,554)	(3,700,503)
Movement in trade and other receivables	1,049,777	(5,712,966)
Movement in trade and other payables	10,264,771	(7,174,427)
Change in contract assets	(1,140,595)	-
Change in contract liabilities	1,735,549	-
Cash flows from operations	6,954,948	28,813,756
Interest paid	(10,788,181)	(11,786,225)
Taxation refunded	1,143,153	308,015
Taxation paid	(4,935,773)	(6,460,255)
Net cash flows from operating activities	36,261,342	10,875,291

	Group 2018 Eur	Group 2017 Eur
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(23,523,827)	(20,872,432)
Payments to acquire investment property	(4,150,299)	(1,455,941)
Payments to acquire intangible assets	(1,050,077)	(1,679,884)
Proceeds from sale of property, plant and equipment	343,472	323,769
Proceeds from sale of investment property	1,001,000	625,000
Proceeds from sale of available for sale investments	-	3,411,402
(Payments to)/proceeds from group undertakings	-	-
(Payments to)/advances from related companies	-	(367,990)
Net cash outflows on acquisition of business	(5,142,253)	(30,909,137)
Net cash outflows on acquisition of subsidiaries	-	(888,079)
Payments to acquire financial assets at fair value through OCI	(4,897)	-
Payments to acquire other financial assets	(25,000)	-
Interest received	189,157	-
Deposit on acquisition of investment	(2,300,000)	(5,000,000)
Dividends received from associates	147,000	-
Dividends received from equity investments	-	-
Net cash flows (used in) / from investing activities	(34,515,724)	(56,813,292)

Cash flows from financing activities

Investments in subsidiaries	-	-
Proceeds from / (repayment of) bond issue	40,000,000	(7,396,100)
Payments made to issue bonds	(653,301)	-
(Payments to) / Proceeds from other related parties	(19,606,335)	1,697,802
Proceeds from bank loans	28,868,888	58,307,180
Repayment of bank loans	(30,673,416)	(54,120,830)
Share capital increase	5,276	-
Transfer to restricted cash	(477,476)	-
Acquisition related expenses	-	(408,534)
Dividends paid	(8,605,302)	(1,497,596)
Dividends paid to NCI	(374,419)	-
Amounts received from third parties	-	6,000,000
Net cash flows from / (used in) financing activities	8,483,915	2,581,922
Net movement in cash and cash equivalents	10,229,533	(43,356,079)
Cash and cash equivalents at the beginning of the year	23,707,150	67,544,363
Effect of movements in exchange	(104,163)	(481,134)
Cash and cash equivalents at the end of the year	33,832,520	23,707,150



Corporate Responsibility



SUSTAINABLE
SUCCESS

Sustainable Success is Hili Ventures' approach to corporate responsibility. Alongside its vision and values, and its employer brand 'You Belong Here', Sustainable Success sits at the heart of Hili Ventures' mission. By acting with integrity and responsibility with every decision and every action it takes, Hili Ventures seeks to be an agent for positive change at every opportunity.

Hili Ventures' approach to responsibility addresses economic, environmental and social dimensions in every aspect of doing business. The group brings together collective experience and skills to enhance its reputation as a progressive organisation responsive to modern-day challenges. By ensuring sustainable profitability, the group provides employment and skills to many, making an important financial contribution to society through investments in the community. Through Sustainable Success, Hili Ventures earns recognition as a forward-thinking organisation with strong and authentic ethical values.

It provides products and services responsibly, sharing value, employment knowledge and economic benefits. It safeguards the environment along the value chain, keeps people safe, granting seamless access to development and promotion, upholding standards, and fostering diversity. Investment in training and development continues to be a cornerstone of Hili Ventures' strategy. In order to nurture the next generation of managers and leaders across the group, human resources team leads assess the talent pool consistently

to address the needs of both people and the business in which they work. In 2018, the company worked on improving staffing levels, incentives, training opportunities, and benefits at various companies.

Training modules are developed and revised constantly to instil management behaviour that steers growth sustainably. In 2018, 43% of people within the Hili Ventures family received training to cultivate good judgment imbued with sound values, both operationally and personally.

Premier Capital, the McDonald's business, is a major contributor to job creation and economic progress within its fold and the communities in which it operates. In 2018, the company focused heavily on the workforce and invested time and creativity in recruitment campaigns and strategies to reach optimum levels of training and positive onboarding experiences. Additional jobs are created year on year to sustain sales growth and restaurant openings, resulting also in promotions in Malta, Greece, Romania and the Baltics.

Conversations with restaurant managers revealed that approximately 83% of restaurant team leaders are proud to work for the group's McDonald's business. Procurement strategies increasingly embrace the installation and upgrade of energy-efficient equipment in partnership with McDonald's-approved suppliers, while energy materials procurement is increasingly conscientious in all markets.

Hili Ventures appointed a third-party Malta-based Data Protection Officer in 2018 for the company's Malta operations, responsible for advising the company and its teams of their obligations under the General Data Protection Regulations (GDPR) and the Maltese Data Protection Act. The DPO is also responsible for monitoring compliance with the GDPR and the Act, and with the company's policies in relation to the protection of personal data. Companies across the group, outside of Malta, carried out the necessary changes and procedures to be compliant with the GDPR.

It was 1923 Investments' first year in its current structure as an investment company, incorporating our technology, Apple Premium Reseller, and logistics businesses. The Harvest Technology Academy was launched in partnership with the University of Malta and the Faculty of Economics, Management and Accountancy with the aim of bridging the gap between the professional and academic spheres. Motherwell Bridge Industries, our engineering business, has been accredited by the national Commission for Further and Higher Education (NCHFE) in Malta, and is licensed as a Further Education Institution.

In keeping with its promise to address issues and concerns which are important to its customers, Premier Capital maintains responsible food and packaging sourcing as a key priority. Increased nutritional visibility and transparency on packaging also falls within this wide-reaching promise. Food

quality and process audits take place regularly across the six markets. In the Baltics, the cooking oil recycling programme continues to return valuable results.

Quality produce for McDonald's restaurants is increasingly guaranteed through the Agriculture Assurance Programme and other sustainable sources. The MSC (Marine Stewardship Council) Chain of Custody certificate is a traceability and segregation standard applicable from certified fishery or farm to final sale. Salt and sodium, sugar, and saturated fat has been reduced in meals consistently and calorific values have also been reduced.

Health and safety

Hili Ventures remains committed to its people's health and safety. The requirements of ISO 9001 are adhered to at Motherwell Bridge, Harvest and Carmelo Caruana Company Ltd in Malta, and ALLcom in Poland. Health and safety and environment protection procedures guide teams in the logistics, technology and engineering divisions where supervisors and line managers regularly conduct inspections and risk assessments with strict checks on personal protection equipment and rest requirements.

At Motherwell Bridge Industries, staff is given health and safety training upon induction, and ongoing training is carried out by health and safety consultants. Incident management drills are held twice a year at the Malta Freeport Terminals where equipment is maintained and serviced by Motherwell Bridge Industries staff.

At Techniplus, health and safety risk assessments are carried out by contract supervisors, in

collaboration with clients. iSpot, our Apple Premium Reseller chain in Poland, works with suppliers that value sustainability and which are regulated and mandated by Apple and the brand's Supplier Code of Conduct. Hili Properties adheres to local health and safety legislation.

In the community

In 2018, all of Hili Ventures business groups once again made various contributions to charities across the footprint. Hili Ventures' opt-in salary deduction scheme continued in 2018, allowing staff to donate to the Ronald McDonald House Charities in Malta every month, and the company also introduced a 'Work+' Allowance as an additional incentive for employees to improve well-being.

ALLcom offered a professional internship under an Erasmus programme, while iSpot in Poland organised iGrandpa workshops for senior citizens. Motherwell Bridge Industries in Malta offered manual support through the company's own workforce towards the completion of the Ronald McDonald House Charities Learning Centre in Qawra.

Hili Logistics companies pledged various donations towards worthy causes, including the ALS Malta Foundation and RMHC Malta.

Developing people

In 2018, the group injected more than €684,000 in staff welfare and training around the footprint.

In early 2018, 23 people attended follow-up sessions to the previous cycle of leadership training programmes, which came to an end in early 2018

making way for the Modular Leadership Training programme. This kicked off towards the end of the year when 31 employees attended evaluation centres, while 19 people attended the fast-track leadership foundations programme.



Our Work with the Ronald McDonald House Charities



The Ronald McDonald House Charities has local Chapters in more than 64 countries and regions around the world. It provides vital resources to 7.1 million children and families through three core programmes. Its Chapters operate 370 Ronald McDonald Houses, 250 Ronald McDonald Family Rooms, and 50 Care Mobiles. Millions of dollars have been collected through donations to RMHC, including from countless boxes in McDonald's restaurants around the world. In turn, families have saved close to \$1 billion in out-of-pocket lodging and meal expenses due to the presence of Ronald McDonald House and Family Room programmes.

RMHC is a non-profit organisation which relies on the support of the wider international community. RMHC Global's largest corporate partner is the McDonald's system worldwide, which includes owners, operators, suppliers, employees and customers. Hili Ventures, and its subsidiary Premier Capital, are proud of the achievements and the contribution made by RMHC Chapters in our territories.

Romania

RMHC Romania enjoys long-term partnerships with more than 30 corporate donors, suppliers

and partners committed to sustainability and community causes. The main partners include Fundatia Vodafone Romania, Havi, Transavia, Toneli, Eisberg, Ket Construct, Diversey, and GoodMills.

In Romania, McDonald's has developed relations with city halls and town councils where the charity is present or where it is planning to extend its services. It has also fostered a relationship with the Public Health Ministry which supported the new buildings.

RMHC Romania reached three milestones in 2018: 20 years of ongoing service to local Romanian communities, the 15th anniversary of the Ronald McDonald House in Bucharest, and the 10th anniversary of the Ronald McDonald House in Timisoara. Throughout these years, the Charity has served around 19,000 families and has worked hard to increase access to quality healthcare for over 4,000 children annually. The total community investment value is more than €4,730,000.

In 2018, RMHC Romania also received Public Welfare status acknowledgement by the Romanian government, a distinction that gives it access to free usage of public goods. This has paved the way for the construction of two new Ronald McDonald Houses near the largest children's hospitals in the country, to be authorised and built by 2021. Partnerships with two new local councils were also established and developed for this purpose.

In 2018, the RMHC Houses in Bucharest and Timisoara hosted 834 families (totalling 1,751 people) for 9,350 free accommodation days. Indirectly, through the support offered by the charity to public children's hospitals, more than 5,000 children were able to benefit from medical visits and diagnosis and better hospitalisation conditions.

Many of these efforts would not have been possible without the constant support of McDonald's customers in Romania, who demonstrated their generosity again by helping to raise a record €300,000 at two McHappy Day events, attended by more than 150 public figures. The funds were raised for the expansion and development of the Ronald McDonald House Programmes in Romania.

The Charity also increased transparency and communication through the launch of its website, rmhc.ro, and a Facebook page. Over the next three years, the charity plans to expand its Timisoara RMHC House and continue supporting public healthcare facilities for the benefit of children and their families.

Baltics

McDonald's restaurants in Estonia, Latvia and Lithuania collected over €92,000 during McHappy Day across the Baltics, through canisters and donations from McHappy meals. McHappy Day's main partnering organisation in 2018 was 'Ne Apie Mane' (Not About Me) in Lithuania.

In 2018, 4,739 children with disabilities were treated by the RMHC Latvija Care Mobile's specialists. April 2018 was also a significant month for the Care Mobile as it was visited by its 30,000th young patient in its seven years of operation.

Working closely with the Children's Clinical University Hospital of Latvia, the Ministry of Health and the Latvian Union of Municipalities, the Care Mobile travels to communities and orphanages in every corner of Latvia as many as 12 times a month. With a dedicated team of more than 30 doctors ready to travel around the country, the Care Mobile reaches every town in rural areas where access to healthcare is still challenging for families.

Latvia's best paediatricians and specialists allow the Care Mobile to offer primary health care, diagnosis, asthma treatment and self-management, and the services of specialists including ophthalmology child neurologist, endocrinologist, dermatologist, otolaryngologist (ENT), and gastroenterologist.

The €400,000 Care Mobile is a 12-metre long, 2.5-metre wide, purposely built vehicle for delivering paediatric health care on site. It is a registered medical facility with two examination rooms, a laboratory, an eyeclinic, a reception, and a video education corner. It is completely self-sufficient with a generator and its own water supply. All of its funding is derived from donations. Ophthalmologists are in high demand during Care Mobile visits

as numerous Latvian children display untreated conditions that make everyday life difficult. Last year, the Care Mobile specialists treated 1,546 children, in some cases discovering serious eyesight problems in initial stages requiring immediate attention and treatment.

More than 1,540, 970 and 80 ophthalmology, neurology and allergy consultations respectively were held in 2018, while speech therapy reached 236 sessions.

An important achievement in 2018 was the initiation of dialogue between the Children's Clinical University Hospital in Riga and RMHC Latvija. This has helped strengthen the relationship with the new leaders of the children's hospital and resulted in an upgraded cooperation agreement which will allow for the provision of technical support by the hospital, such as the disinfection of medical tools.

Visits by the Care Mobile are scheduled on demand, usually at the request of social care workers and medical specialists from orphanages and boarding schools.

Malta

Proceeds totalling €25,000 were collected during McHappy Day and other activities, the sum of which were donated to the Ronald McDonald House Charities Malta Chapter. These funds supported the completion of its learning centre in Qawra. The learning centre site was acquired on plan in late 2015

and was fully finished, furnished, and equipped to offer services by mid-2019. The centre features a learning kitchen equipped with three working stations, one of which will be accessible also for participants with impaired mobility. Meetings were held throughout 2018 with local NGOs to discuss services that can be offered through the Centre.

New revenue streams were created with the procurement and installation of four coin-vortexes, two drive-through collectors, as well as a number of desk-top coin collectors. At least six fund-raising activities were held, including the charity's first fund-raising dinner, raising €8,000 in contributions.

Greece

Discussions on a new partnership with a paediatric hospital in Athens to establish an RMHC Chapter in Greece continued in 2018. This Chapter will be an independently registered NGO, governed by its own board of advisors.

The aim is to set up a Ronald McDonald Family Room in 2019, a space offering respite for families with children undergoing medical treatment. The Family Room will feature a kitchen, shower facilities, rest and sleep areas, laundry facilities, internet access, and recreational areas.



Ronald McDonald Learning Centre



Vision and Values

We operate growing, market-leading service-related businesses to constantly create shared value for our shareholders, employees and everyone affected by what we do.

Integrity

We conduct ourselves transparently at all levels, fostering openness and collaboration, with a commitment to communicating outcomes.

Performance

We drive a high performance culture that ensures increased employee commitment and sustainable organisational growth.

Change

We actively revisit our structures and processes and the way we impact our stakeholders to constantly change for the better.

Innovation

We encourage curiosity and creativity in our pursuit of efficiency and excellence.

Responsibility

We are accountable for leaving the most positive impact on all stakeholders, to the benefit of the communities we operate in.

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