

Hili Ventures Limited

C57902

Report and Financial Statements

31 December 2020

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Hili Ventures Limited

Directors, officer and other information

<i>Directors:</i>	Steve Tarr (Chairman) Carmelo sive Melo Hili Victor Tedesco Jesmond Mizzi Annabel Hili
<i>Secretary:</i>	Dr. Melanie Miceli Demajo
<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, Triq L-Intornjatur, Zone 1 Central Business District Birkirkara, CBD 1050 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 2020

The directors present their report and the audited financial statements of the holding company for the year ended 31 December 2020.

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 *Eur1,590,936* (2019 – *Eur3,582,300*). After accounting for net investment income and finance costs the company registered a pre-tax profit of *Eur1,217,899* from continuing operations as opposed to *Eur11,021,195* in 2019.

Results and dividends

The results for the year ended 31 December 2020 are shown in the statement of profit or loss and other comprehensive income on page 5. The company's profit for the year after taxation was *Eur1,210,442* (2019 – *Eur11,653,079*). During the year, the directors declared a dividend of *Eur4,651,200* to the preference shareholders (2019 – *Eur9,651,200*).

Post Balance Sheet Events

The relevant post balance sheet events are disclosed in note 32.

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
Victor Tedesco
Jesmond Mizzi
Annabel Hili
Richard Abdilla Castillo (resigned on 10 July 2020)

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 2020

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.

Effects of the Covid-19 pandemic

Following the outbreak of the Covid-19 pandemic, the directors have continued to actively monitor all developments currently taking place in Malta in order to take any immediate action to safeguard the interests of the company as changes in the business environment become more evident. Such events might have an impact on the performance and financial position of the company in the future due to any effects that this pandemic is having on the economy and the industry in which the company operates.

The results for the current year show that the company has achieved satisfactory results. Whilst the situation remains extremely fluid and future events may have an adverse effect on the company's profitability in the medium to longer term, as well as its liquidity and financial position, the outlook remains cautiously optimistic.

The company has continued its operations normally during the pandemic months. The company has taken all measures possible in order to protect its staff in line with Government guidelines and will continue to do so in the foreseeable future.

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 30th April 2021 by:



Steve Tarr
Chairman



Carmelo sive Melo Hili
Director

Hili Ventures Limited

Statement of directors' responsibilities

Year ended 31 December 2020

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with 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 2020

	Notes	2020 Eur	2019 Eur
Continuing operations			
Revenue	5	2,400,000	1,480,000
Other operating income	6	174,035	39,006
Selling expenses		(6,652)	(10,937)
Administrative expenses		(4,158,318)	(5,090,369)
Operating loss		(1,590,935)	(3,582,300)
Investment income	7	11,220,873	20,433,250
Investment losses	8	(1,716,250)	(1,300,000)
Net investment income		9,504,623	19,133,250
Finance costs	9	(6,695,789)	(4,529,755)
Profit before tax	10	1,217,899	11,021,195
Income tax (expense)/income	13	(7,457)	631,884
Total profit and other comprehensive income for the year		1,210,442	11,653,079


Hili Ventures Limited

Statement of financial position

Year ended 31 December 2020

	Notes	2020 Eur	2019 Eur
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets	15	107,541	51,784
Property, plant and equipment	16	267,669	137,432
Right-of-use asset	17	2,943,725	2,599,267
Investments in subsidiaries	19	199,610,147	136,743,844
Loans and receivables	19	12,490,973	59,568,869
Deferred tax assets	24	329,623	258,498
		215,749,678	199,359,694
Current assets			
Loans and receivables	19	8,015,000	23,602,098
Trade and other receivables	20	885,897	404,332
Cash and cash equivalents	26	3,743,767	7,298,815
Current tax assets		276,783	1,747,628
		12,921,447	33,052,873
Total assets		228,671,125	232,412,567
Current liabilities			
Lease Liability	18	315,036	239,524
Trade and other payables	21	846,179	1,184,430
Other financial liabilities	23	9,816,476	14,256,794
Bank overdrafts and loans	22	2,241,554	2,208,084
		13,219,245	17,888,832
Non-current liabilities			
Lease Liability	18	2,779,167	2,423,546
Other financial liabilities	23	126,588,864	120,341,655
Bank loans	22	10,687,500	12,921,427
		140,055,531	135,686,628
Total liabilities		153,274,776	153,575,460
Net assets		75,396,349	78,837,107
EQUITY			
Share capital	25	69,400,000	69,400,000
Retained earnings		5,996,349	9,437,107
Total equity		75,396,349	78,837,107

These financial statements were approved by the board of directors, authorised for issue on the 30th April 2021 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 2020

	Share capital Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2019	69,400,000	7,435,228	76,835,228
Preference dividends (note 14)	-	(9,651,200)	(9,651,200)
Total comprehensive income for the year	-	11,653,079	11,653,079
Balance at 1 January 2020	69,400,000	9,437,107	78,837,107
Preference dividends (note 14)	-	(4,651,200)	(4,651,200)
Total comprehensive income for the year	-	1,210,442	1,210,442
Balance at 31 December 2020	69,400,000	5,996,349	75,396,349

Hili Ventures Limited

Statement of cash flows

Year ended 31 December 2020

	2020 Eur	2019 Eur
Cash flows from operating activities		
Profit before tax	1,217,899	11,021,195
<i>Adjustments for:</i>		
Depreciation and amortisation	117,287	116,863
Depreciation on right of use asset	400,591	297,364
Bond amortisation costs	171,110	94,684
Loss on disposal of PPE	-	311
Provision for doubtful debts	-	224,532
Interest payable	6,394,159	4,335,069
Interest payable on leasing arrangements	130,520	100,002
Other interest receivable	-	(17,929)
Interest income on		
amounts due from related parties	(744,541)	(415,259)
Dividends from equity instruments	(9,715,288)	(20,000,062)
Loss on disposal of subsidiary	1,198	-
Gain on waiver of loans	(761,044)	-
Impairment on loans and receivables	305,000	1,300,000
Impairment on investment in subsidiary	1,411,250	-
Net cash flows from continuing operations	(1,071,859)	(2,943,230)
 Movement in trade and other receivables	 (481,703)	 (195,445)
Movement in trade and other payables	(338,251)	161,105
Cash flows from operations	(1,891,813)	(2,977,570)
Interest paid	(6,239,173)	(3,016,707)
Taxation refunded	1,747,629	830,057
Taxation paid	-	(7,172)
<i>Net cash flows from operating activities</i>	(6,383,357)	(5,171,392)
 Cash flows from investing activities		
Payments to acquire property, plant and equipment	(216,184)	(41,099)
Payments to acquire intangible assets	(87,829)	(44,856)
Proceeds from sale of property, plant and equipment	732	582
Proceeds from group undertakings	1,931,312	77,578,320
Interest received	69,602	190,543
Dividends received from equity instruments	9,360,060	13,000,062
<i>Net cash flows from investing activities</i>	11,057,693	90,683,552

Hili Ventures Limited

Statement of cash flows (continued)

Year ended 31 December 2020

	2020	2019
	Eur	Eur
Cash flow from financing activities		
Investments in subsidiaries	(104,251)	(2,000,000)
Payments of loans granted from other related parties	(2,778,723)	(63,471,198)
Repayment of bank loans	(2,200,457)	(2,173,885)
Interest paid on leasing arrangements with related party	(129,794)	(98,794)
Interest paid on leasing arrangements with third party	(724)	(1,208)
Payments for lease obligations with related party	(297,841)	(217,969)
Payments for lease obligations with third party	(16,077)	(15,592)
Dividends paid	(2,701,517)	(8,951,605)
	<hr/>	<hr/>
<i>Net cash flows used in financing activities</i>	(8,229,384)	(76,930,251)
	<hr/>	<hr/>
Net movement in cash and cash equivalents	(3,555,048)	8,581,909
Cash and cash equivalents at the beginning of the year	7,298,815	(1,283,094)
Cash and cash equivalents at the end of the year (note 26)	<hr/>	<hr/>
	3,743,767	7,298,815

Hili Ventures Limited

Notes to the financial statements

31 December 2020

1. Company Information and basis of preparation

Hili Ventures Limited (“the company”) 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 and in the succeeding pages.

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 financial statements are presented in euro (Eur), which is also the functional currency of the company.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

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.

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	33%

The depreciation 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 2020

2. Significant accounting policies (continued)

Intangible assets

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

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

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

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

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

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.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Other financial instruments (continued)

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.

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 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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Other financial instruments (continued)

(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.

(iii) 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.

(iv) 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.

(v) 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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Other financial instruments (continued)

(vi) 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.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Impairment (continued)

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.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Impairment (continued)

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.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

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 2020

2. Significant accounting policies (continued)

Right-of-use assets

In the case of right-of-use assets, expected useful lives are determined by reference to the comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. For leases on buildings, the right-of-use assets are being amortised over the lease term.

Leases

The company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases

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

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

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the company.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Leases (continued)

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

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the company's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

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

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

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Taxation (continued)

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

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

Deferred tax 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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Taxation (continued)

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.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

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.

Equity, reserves and dividend payments

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

Dividend distributions payable to equity shareholders are included with short-term financial liabilities, where dividends are approved at the general meeting prior to the end of the reporting period. Dividends to the holder of equity instruments are recognized directly in equity.

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

Dividends relating to a financial liability, or to a component that is a financial liability, are recognised as an expense in profit or loss and are presented in the statement of profit or loss and other comprehensive income with finance costs.

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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

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

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 *Eur1,716,250 (2019 – Eur1,300,000)*. The directors expect the carrying amount of other loans and receivables at 31 December 2020 to be recoverable.

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

New standards adopted as at 1 January 2020

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

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

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

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

Hili Ventures Limited

Notes to the financial statements

31 December 2020

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

International Reporting Standards in issue but not yet effective

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

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the company's financial statements.

Consideration of the effects of Covid-19

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, the directors have prepared budgets and projections to assess the impact that the pandemic is, and might have on the profitability, liquidity and going concern of the company in the future.

The impact of these events on the general economy and on the industry in which the company operates is still unclear but results for the year ending 31 December could be impacted. As a countermeasure, the company has prepared budgets and cash flow projections for the coming financial year to enable it to swiftly take any necessary actions in order to compensate for adverse effects on its business. With the available projections in hand, the directors consider the going concern assumption in the preparation of the financial statements as appropriate as at the date of authorisation. They also believe that no material uncertainty that may cast significant doubt about the company's ability to continue as a going concern exists at that date.

All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 31 December 2020.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

5. Revenue

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

	2020	2019
	Eur	Eur
Management fees	2,400,000	1,480,000
	<u>2,400,000</u>	<u>1,480,000</u>

6. Other operating income

	2020	2019
	Eur	Eur
Other income	174,035	39,006
	<u>174,035</u>	<u>39,006</u>

7. Investment income

	2020	2019
	Eur	Eur
Other interest receivable	-	17,929
Interest from other related company	<u>744,541</u>	<u>415,259</u>
Total interest income on financial assets not classified as at fair value through profit or loss	744,541	433,188
Dividends from equity instruments	9,715,288	20,000,062
Gain on waiver of loans	<u>761,044</u>	<u>-</u>
	<u>11,220,873</u>	<u>20,433,250</u>

Hili Ventures Limited

Notes to the financial statements

31 December 2020

8. Investment losses

	2020	2019
	Eur	Eur
Impairment losses on investments in subsidiaries	1,411,250	-
Impairment losses on loans and receivables	305,000	1,300,000
	1,716,250	1,300,000

9. Finance costs

	2020	2019
	Eur	Eur
Interest on bank overdrafts and loans	448,515	565,635
Interest on amounts payable to related undertakings	5,945,644	3,769,434
Amortisation of bond issue expenses	171,110	94,684
Interest on leased assets	130,520	100,002
	6,695,789	4,529,755

10. Profit before tax

The profit before tax is stated after charging:

	Eur	Eur
Depreciation and amortisation costs	117,287	116,863
Depreciation on right-of-use assets	400,591	297,364
Impairment losses recognised on financial assets	1,716,250	1,300,000

Total remuneration payable to the parent company's auditors for the audit of the company's financial statements amounted to *Eur2,800 (2019 – Eur2,600)*. Other fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services amounted to *Eur1,500 (2019 – Eur1,000)*

Hili Ventures Limited

Notes to the financial statements

31 December 2020

11. Key management personnel compensation

Directors' compensation:

Hili Ventures limited	290,077	178,664
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Other key management compensation:

Hili Ventures Limited	899,334	1,478,500
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Total directors' fees and other key management personnel

1,189,411	1,657,164
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12. Staff costs and employee information

	2020	2019
	Eur	Eur
<i>Staff costs:</i>		
Wages and salaries	1,963,083	2,509,753
Social security costs	99,047	155,013
	2,062,130	2,664,766

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

	2020	2019
	Number	Number
Administration	47	38

Hili Ventures Limited

Notes to the financial statements

31 December 2020

13. Income tax expense/(credit)

	2020	2019
	Eur	Eur
Current tax expense	78,582	7,172
Deferred tax credit (note 24)	(71,125)	(141,637)
Group surrender of losses	-	(497,419)
	<u>7,457</u>	<u>(631,884)</u>

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

	2020	2019
	Eur	Eur
Profit before tax from continuing operations	1,217,899	11,021,195
Tax at the applicable rate of 35%	426,265	3,857,418
<i>Tax effect of:</i>		
Non-deductable disallowed expenses	2,300,856	2,048,276
Depreciation on ineligible assets	262	270
Untaxed dividend	(3,045,123)	(7,000,001)
Impairment on loan	600,688	455,000
Foreign Tax	138	7,153
FRFTC nullifying tax charge on FIA Income	(8,413)	-
Waiver of amounts payable	(267,216)	-
Income tax expense / (credit)	<u>7,457</u>	<u>(631,884)</u>

Hili Ventures Limited

Notes to the financial statements

31 December 2020

14. Dividends

In respect of the current year no dividend was declared to ordinary shareholders (2019: nil).

Preference dividends of *Eur4,651,200* were also declared during the year (2019 – *Eur9,651,200*); *Eur0.07* per preference share (2019 – *Eur0.14*).

15. Intangible assets

	Computer software Eur
Cost	
At 01.01.2019	170,002
Additions	<u>44,856</u>
At 01.01.2020	214,858
Additions	<u>87,829</u>
At 31.12.2020	<u>302,687</u>
Amortisation	
At 01.01.2019	123,762
Provision for the year	<u>39,312</u>
At 01.01.2020	163,074
Provision for the year	<u>32,072</u>
At 31.12.2020	<u>195,146</u>
Carrying amount	
At 31.12.2019	<u>51,784</u>
At 31.12.2020	<u>107,541</u>

Hili Ventures Limited

Notes to the financial statements

31 December 2020

16. Property, plant and equipment

	Furniture, fittings and other equipment
	Eur
Cost	
At 01.01.2019	384,899
Additions	41,099
Disposals	(967)
At 01.01.2020	425,031
Additions	216,184
Disposals	(1,030)
At 31.12.2020	640,185
Accumulated Depreciation	
At 01.01.2019	210,122
Provision for the period	77,551
Disposals	(74)
At 01.01.2020	287,599
Provision for the period	85,215
Disposal	(298)
At 31.12.2020	372,516
Carrying amount	
At 31.12.2019	137,432
At 31.12.2020	267,669

Hili Ventures Limited

Notes to the financial statements

31 December 2020

17. Right-of-use assets

The following assets have been recognised as right-of-use assets of the company:

	Total Eur
Cost	
Adjustment on transition to IFRS 16 at January 2019	2,896,631
At 1 January 2020	<u>2,896,631</u>
Additions	745,049
At 31 December 2020	<u>3,641,680</u>
Depreciation	
At 1 January 2019	-
Provision for the year	297,364
At 1 January 2020	<u>297,364</u>
Provision for the year	400,591
At 31 December 2020	<u>697,955</u>
Carrying amount	
At 31 December 2019	<u>2,599,267</u>
At 31 December 2020	<u>2,943,725</u>

The depreciation charge on right-of use assets is included in administrative expenses.

The company has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount, depreciation recognised during the year and other movements in right-of-use assets is included in the above table. Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 18. The respective accounting policy for the measurement and recognition of leases in note 2.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.93%. The incremental borrowing rate will be reassessed every time a new lease is entered into by the company and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

The company has financed most of its obligations internally and has therefore not been subject to market fluctuations in the interest rate from its borrowings with third-parties. The company does not expect this rate to vary significantly in the foreseeable future.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

18. Lease Liability

	2020	2019
	Eur	Eur
Current		
Lease Liability	315,036	239,524
Non-Current		
Lease Liability	2,779,167	2,423,546
	3,094,203	2,663,070

The company has leases for its office buildings, garage and car park spaces and motor vehicles. Each lease is included in the statement of financial position as a right-of-use asset and a lease liability. The company does not have any other short-term leases (leases with an effected term of 12 months or less), leases of low-value underlying assets and variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of company sales).

Each lease generally imposes a restriction that, unless there is a contractual right for the company to sublet the asset to another party, the right-of-use asset can only be used by the company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the company must insure items under lease and incur maintenance fees on such items in accordance with the lease contracts.

The remaining lease term of the buildings, garages and car park spaces is 8 years and the remaining lease term of the motor vehicle is 1 years.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

18. Lease Liability (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

Minimum Lease Payments

	Within one year	Between one and 5 years	Over 5 years	Total
	Eur	Eur	Eur	Eur
31 December 2019				
Lease Payments	339,899	1,368,120	1,470,288	3,178,307
Finance Charges	(100,375)	(301,751)	(113,111)	(515,237)
Net present values	239,524	1,066,369	1,357,177	2,663,070
31 December 2020				
Lease Payments	430,924	2,235,378	957,991	3,624,294
Finance Charges	(115,888)	(375,895)	(38,308)	(530,091)
Net present values	315,036	1,859,483	919,684	3,094,203

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets

Investments in subsidiaries

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

Carrying amount	Eur
At 01.01.2019	133,760,646
Additions	2,982,000
Reclassification from other financial assets	1,198
At 01.01.2020	136,743,844
Additions	64,278,751
Impairment of investment in subsidiaries	(1,412,448)
At 31.12.2020	199,610,147

In 2019, included in the additions during the year, are amounts of *Eur2,000,000* in HV Hospitality Ltd and *Eur982,000* in Gozo Express Services Ltd.

In 2020, included in the additions during the year, are amounts of *Eur1,192,000* in Hili Properties plc, *Eur59,540,000* in HV Hospitality Ltd and *Eur404,251* in Gozo Express Services Ltd. Also included in additions for 2020 and the balance at 31 December 2020, are amounts of *Eur2,560,000* in 1923 Investments p.l.c., and *Eur582,500* in Motherwell Bridge Industries Ltd comprising loans earmarked for capitalisation during 2021. The loan to 1923 Investments p.l.c. is interest free while the loan to Motherwell Bridge Industries Ltd carries interest at 4.5% per annum. The impairment of the investment in subsidiaries comprise an impairment of *Eur1,411,250* in Gozo Express Services Ltd and *Eur1,198* in Harbour Holdings Ltd.

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

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019	Holding	Portion of voting power held 2020/2019	Principal activity
1923 Investments plc	Malta	100 (100)	Direct	100 (100)	Holding Company
Harvest Technology plc	Malta	62.95 (62.95)	Indirect	62.95 (62.95)	Sale of IT solutions and security systems
PTL Limited	Malta	62.95 (62.95)	Indirect	62.95 (62.95)	Sale of IT solutions and security systems
APCO Limited	Malta	62.95 (62.95)	Indirect	62.95 (62.95)	Sale of IT solutions and security systems
APCO Systems Limited	Malta	62.95 (62.95)	Indirect	62.95 (62.95)	Sale of IT solutions and security systems
iSpot 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

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019	Holding	Portion of voting power held 2020/2019	Principal activity
Ipsyon Limited	Malta	62.95 (62.95)	Indirect	62.95 (62.95)	Holding of intellectual property
Hili Logistics Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
Carmelo Caruana Company Ltd (CCCL)	Malta	100 (100)	Indirect	100 (100)	Shipping agent and freight forwarders
Carmelo Caruana Freeport Operations Limited (merged with Global Parcels Ltd (merged with CCCL))	Malta	N/A (100)	Indirect	N/A (100)	Transshipment and cross-storekeeping
CCFO Malta Ltd (merged with CCCL)	Malta	N/A (100)	Indirect	N/A (100)	Parcel delivery service
Gozo Express Services Limited	Malta	100 (100)	Direct	100 (100)	Warehouse services
Professional Courier Services 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
STS Marine Solutions Limited	Jersey	100 (N/A)	Indirect	100 (N/A)	Holding Company
Carmelo Caruana Marine Solutions Limited	UK	100 (N/A)	Indirect	100 (N/A)	Holding Company
STS Marine Solutions Limited	UK	100 (N/A)	Indirect	100 (N/A)	Backoffice services
STS Marine Solutions (Bermuda) Limited	Bermuda	100 (N/A)	Indirect	100 (N/A)	Ship-to-ship operations
SPT Marine Transfer Services	Bermuda	100 (N/A)	Indirect	100 (N/A)	Terminal management
Guardian L.L.C.	Marshall Island	100 (N/A)	Indirect	100 (N/A)	Operation of vessel
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

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019	Holding	Portion of voting power held 2020/2019	Principal activity
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	Malta	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Malta
Arcades Limited	Malta	100 (100)	Indirect	100 (100)	Operated McDonald's restaurants in Malta
Premier Arcades Limited	Malta	100 (100)	Indirect	100 (100)	Holding Company
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	100 (90)	Indirect	100 (90)	Operated McDonald's restaurants in Romania
Premier Capital Srl	Romania	100 (90)	Indirect	100 (90)	Holding Company
Premier Capital Delaware Inc	United States	100 (90)	Indirect	100 (100)	Holding Company
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)	Hold and rent immovable property
Hili Properties BV	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 Premier Estates Romania	Romania	100 (100)	Indirect	100 (100)	Hold and rent immovable property
SIA Tirdzniecibas centrs Dole	Latvia	100 (100)	Indirect	100 (100)	Hold and rent immovable property

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation and ownership	Proportion of ownership interest 2020/2019	Holding	Portion of voting power held 2020/2019	Principal activity
Premier Assets SRL	Romania	100 (100)	Indirect	100 (100)	Hold and rent immovable property Erection refurbishment of container handling equipment
Motherwell Bridge Industries Limited	Malta	80 (80)	Direct	80 (80)	
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
HV Hospitality Limited	Malta	100 (100)	Direct	100 (100)	Holding Company
Kemmuna Limited	Malta	100 (100)	Indirect	100 (100)	Hotel Operations
Hili Finance Company plc	Malta	100 (100)	Direct	100 (100)	Finance provider
Cobalt Leasing Limited	UK	100 (100)	Direct	100 (100)	Container Leasing

The registered addresses of the company's indirect subsidiaries at 31 December 2020 and 2019 are as follows:

Indirect Subsidiaries

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

Hili Ventures Limited

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19. 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
Kemmuna Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta

Hili Ventures Limited

Notes to the financial statements

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19. 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
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
Tukuma Projekts SIA	Citadeles 12, Riga LV-1, Latvia

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets (continued)

(a) Investments in subsidiaries (continued)

Indirect Subsidiaries (continued)

Name of subsidiary	Registered office
Apex Investments SIA	Citadeles 12, Riga LV-1, Latvia
Hili Premier Estates Romania SRL	43, Bulevardul Aviatorilor, 011853 Bucharest, Romania
Premier Assets SRL	Municipiul Bucuresti, Bucuresti, Sos. Nicolae Titulescu, 4-8, Romania
SIA Tirdzniecibas centrs Dole	Audēju iela 16, Riga, LV-1050, Latvia
STS Marine Solutions (UK) Limited	1, The Cloisters, Sunderland, Type & Wear, United Kingdom, SR2 7BD
Carmelo Caruana Marine Solutions Limited	c/o Squire Patton Boggs (UK) LLP (Ref: CSu), Rutland House, 148 Edmund Street, Birmingham B3 2JR
STS Marine Solutions Limited	PO Box 536, 13-14, Esplanade, St. Helier, Jersey JE4 5UR
STS Marine Solutions (Bermuda) Limited	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
SPT Marine Transfer Services Limited	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda, HM 12
STS Support Services BVI	Moreno & Asvat (BVI) Limited, Palm Chambers, 197 Main Street, P.O. Box 3174, Road Town Tortola, British Virgin Islands
Guardian L.L.C	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands
Allcom Sp. z o.o.	ul. Mariacka 9, 81-383 Gdynia, Poland
Hili Logistics Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta
Carmelo Caruana Company Ltd	Nineteen Twenty-Three, Valletta Road, Marsa, MRS 3000 Malta

Hili Ventures Limited

Notes to the financial statements

31 December 2020

19. Financial assets (continued)

(b) Loans and receivables

	Loans to shareholders Eur	Loans to subsidiaries Eur	Loans to related parties Eur	Total Eur
2019				
Amortised cost				
At 31.12.2019	12,511,130	70,367,386	292,451	83,170,967
Less: amounts expected to be settled within 12 months (shown under current assets)	<u>(12,511,130)</u>	<u>(10,798,517)</u>	<u>(292,451)</u>	<u>(23,602,098)</u>
Amounts expected to be settled after 12 months	<u>-</u>	<u>59,568,869</u>	<u>-</u>	<u>59,568,869</u>
2020				
Amortised cost				
At 31.12.2020	15,719,439	3,237,444	1,549,090	20,505,973
Less: amounts expected to be settled within 12 months (shown under current assets)	<u>(3,933,787)</u>	<u>(3,237,444)</u>	<u>(843,769)</u>	<u>(8,015,000)</u>
Amounts expected to be settled after 12 months	<u>11,785,652</u>	<u>-</u>	<u>705,321</u>	<u>12,490,973</u>

The terms and conditions of the above loans are disclosed in note 27. The loans to subsidiaries bear interest at 4.5% (2019 – 4.5%) whilst the remaining loans are unsecured and interest free. *Eur515,374* (2019- *Eur1,793,135*) 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 2020

20. Other receivables

	2020	2019
	Eur	Eur
Other receivables	751,791	328,343
Prepayments and accrued income	134,106	75,989
	885,897	404,332
Less: amount due for settlement within 12 months (shown under current liabilities)	(885,897)	(404,332)
	-	-

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 27. 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 *Eur846,346* (2019 – *Eur846,346*). There were no movements in provisions for bad and doubtful receivables during the current year.

Hili Ventures Limited

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21. Trade and other payables

	2020	2019
	Eur	Eur
Trade payables	88,966	249,330
Other payables	134,576	185,845
Accruals and deferred income	622,637	749,255
	<u>846,179</u>	<u>1,184,430</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(846,179)</u>	<u>(1,184,430)</u>
Amount due for settlement after 12 months	<u>-</u>	<u>-</u>

No interest is charged on trade and other payables.

22. Bank loans and overdrafts

	2020	2019
	Eur	Eur
Bank loans	12,929,054	15,129,511
	<u>12,929,054</u>	<u>15,129,511</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(2,241,554)</u>	<u>(2,208,084)</u>
Amount due for settlement after 12 months	<u><u>10,687,500</u></u>	<u><u>12,921,427</u></u>

The current obligation of the company to pay *Eur2,241,554* (2019 - *Eur2,208,084*) within one year includes three loan facilities with HSBC Malta plc.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

22. Bank loans and overdrafts (continued)

Bank overdrafts and loans are payables as follows:

	2020	2019
	Eur	Eur
On demand or		
within one year	2,241,554	2,208,084
In the second year	687,500	2,222,538
In the third year	10,000,000	698,889
In the fourth year	-	10,000,000
	12,929,054	15,129,511

The company had three fully withdrawn loans facilities amounting to *Eur12,929,054* 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.

Hili Ventures Limited

Notes to the financial statements

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23. Other financial liabilities

	2020	2019
	Eur	Eur
Amounts owed to group undertakings	136,128,281	134,598,449
Other loans	277,059	-
	136,405,340	134,598,449
Less: amount due for settlement within 12 months (shown as current liabilities)	(9,816,476)	(14,256,794)
Amount due for settlement after 12 months	126,588,864	120,341,655

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

- Amounts of *Eur6,595,630* (2019 – *Eur9,500,000*) that bear interest at 4.5% per annum, and are repayable by the 31st of December, 2021.
- Amounts of *Eur3,220,846* (2019 – *Eur4,756,794*) that bear interest no interest, and are repayable by the 31st of December, 2021.
- An amount of *Eur41,930,958* (2019 – *Eur41,930,958*) that bears interest at 4.5% per annum, and is repayable by the 30th June, 2028.
- An amount of *Eur80,000,000* (2019 – *Eur80,000,000*) that bears interest at 4.5% per annum, and is repayable by the 4th September, 2029.
- An amount of *Eur550,000* (2019 – *Nil*) that bears interest at 4.5% per annum, and is repayable by the 31st December, 2025.
- An amount of *Eur1,225,136* (2019 – *Nil*) that bears no interest and is repayable by the 31st December, 2025.
- An amount of *Eur23,904* (2019 – *Nil*) that bears no interest and is repayable by the 31st December, 2025.
- An amount of *Eur4,000,000* (2019 – *Nil*) that bears interest at 4.5% per annum, and is repayable by the 31st December, 2025.
- An amount of *Eur277,059* (2019 – *Nil*) that bears interest at 3% per annum, and is repayable by the 9th March, 2022.
- Included in amounts owed to group undertakings is an amount of *Eur1,418,193* (2019 – *Eur1,589,303*) comprising of bond issue costs which are being amortised over a period of 10 years until 24th July 2028 and 27th August 2029, respectively.

In 2020 there were no amounts owed by the company to its shareholders.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

24. Deferred taxation

	Opening balances	Recognised in Profit and Loss	Closing balance
	Eur	Eur	Eur
2019			
Arising on:			
Other temporary differences	<u>116,861</u>	<u>141,637</u>	<u>258,498</u>
2020			
Arising on:			
Other temporary differences	<u>258,498</u>	<u>71,125</u>	<u>329,623</u>

25. Share capital

In 2019, the authorized share capital remained unvaried to:

- 16,000,000 Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up., and
- 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.

In 2020, the authorized share capital remained unvaried at:

- 16,000,000 Ordinary shares of *Eur1* each, of which *Eur1,000,000* ordinary shares were issued and called up., and
- 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.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

25. Share capital (continued)

At 31 December 2020 and 2019, the above-mentioned shares were 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.

26. 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:

	2020 Eur	2019 Eur
Cash at bank and on hand	<u>3,743,767</u>	<u>7,298,815</u>
Cash and cash equivalents in in the statements of cash flows	<u><u>3,743,767</u></u>	<u><u>7,298,815</u></u>

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

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27. Related party transactions

Hili Ventures Limited is the parent company of the undertakings highlighted in note 19.

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	%
2019			
Revenue:			
<i>Related party transactions with:</i>			
Subsidiaries	<u>1,480,000</u>	<u>1,480,000</u>	<u>100%</u>
Administrative expenses:			
<i>Related party transactions with:</i>			
Subsidiaries	<u>401,335</u>	<u>5,090,369</u>	<u>8%</u>
Finance expenses			
<i>Related party transactions with:</i>			
Subsidiaries	<u>3,868,228</u>	<u>4,529,755</u>	<u>85%</u>
Investment income:			
<i>Related party transactions with:</i>			
Subsidiaries	<u>20,415,321</u>	<u>20,433,250</u>	<u>99%</u>

Hili Ventures Limited

Notes to the financial statements

31 December 2020

27. Related Party Transactions (continued)

	Related party activity Eur	Total activity Eur	%
2020			
Revenue:			
<i>Related party transactions with:</i>			
Subsidiaries	<u>2,400,000</u>	<u>2,400,000</u>	<u>100%</u>
Administrative expenses:			
<i>Related party transactions with:</i>			
Subsidiaries	<u>639,828</u>	<u>4,158,318</u>	<u>15%</u>
Finance expenses			
<i>Related party transactions with:</i>			
Subsidiaries and related parties	<u>6,075,440</u>	<u>6,695,789</u>	<u>91%</u>
Investment income:			
<i>Related party transactions with:</i>			
Subsidiaries	10,459,829		
Other related parties	<u>761,044</u>		
	<u>11,220,873</u>	<u>11,220,873</u>	<u>100%</u>

During the year under review, *Eur305,000* (2019 – *Eur1,300,000*) 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 amounts were not recoverable.

Another amount of *Eur1,411,250* (2019 – *nil*) was recognised as an impairment loss on an investment. This was a result of an impairment assessment carried out on the carrying amount of the investment in one of the company's subsidiaries. Following such assessment, management has determined that such investment was deemed to be impaired in full.

The amounts due from/to related parties at year-end are disclosed in note 19 and 23. 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.

Hili Ventures Limited

Notes to the financial statements

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28. Significant non-cash transactions

During 2019 there were the following significant non-cash transactions:

- a) Included in dividends received from Premier Capital p.l.c. is an amount of *Eur5,000,000* which were used to set-off loans payable to the subsidiary.
- b) Included in preference dividends paid to shareholder is an amount of *Eur699,595* which were set-off loans payable to Hili Ventures Ltd by the shareholder.
- c) The company adopted IFRS 16 and as a result, recognised lease liabilities amounting to *Eur2,896,631* on 1 January 2019. Cash payments made on leases amounted to *Eur333,564* (inclusive of interest). The interest expense during the year amounted to *Eur100,002*. The interest, together with the adjustment upon initial recognition of IFRS 16, represent the non-cash movements of *Eur2,996,633* presented in note 30 for leases.

During 2020 there were the following significant non-cash transactions:

- a) Included in preference dividends paid to shareholder is an amount of *Eur1,949,683* which were set-off loans payable to Hili Ventures Ltd by the shareholder.
- b) The company additionally recognised lease liabilities amounting to *Eur745,050* on 1 January 2020, due to additional contracts. Cash payments made on the total leases amounted to *Eur444,436* (inclusive of interest). The interest expense during the year amounted to *Eur130,518*. The interest, together with the additions to leases recognised during the year, represent the non-cash movements of *Eur875,567* presented in note 30 for leases.

Hili Ventures Limited

Notes to the financial statements

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29. Fair values of financial assets and financial liabilities

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

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.

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.

Hili Ventures Limited

Notes to the financial statements

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

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2019					
Financial assets					
Loans and receivables					
- receivables from related parties	-	83,170,967	-	83,170,967	83,170,967
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	134,598,449	-	134,598,449	134,598,449
<i>other loans</i>					
- bank loans	-	15,129,511	-	15,129,511	15,129,511
Total	-	149,727,960	-	149,727,960	149,727,960
2020					
Financial assets					
<i>Loans and receivables</i>					
- receivables from related parties	-	20,505,973	-	20,505,973	20,505,973
Total	-	20,505,973	-	20,505,973	20,505,973
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
- related party loans	-	136,405,340	-	136,405,340	136,405,340
<i>other loans</i>					
- bank loans	-	12,929,054	-	12,929,054	12,929,054
Total	-	149,334,394	-	149,334,394	149,334,394

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

The fair values of the financial assets and liabilities included in level 2 category 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.

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, and,
- 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 *Eur305,000* (2019 – *Eur1,300,000*), which amount was provided for as disclosed in notes 3 and note 8 to these financial statements.

Hili Ventures Limited

Notes to the financial statements

31 December 2020

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

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 2020 and 2019 are callable on demand. The banks with whom cash and cash equivalents are held have a credit rating of BBB- by Standard and Poor's or form part of an international banking group with an A credit rating by the same credit rating agency and similar high ratings by other agencies. 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.

The Expected Credit Loss (ECL) at 31 December 2020 was estimated based on a range of forecast economic scenarios as at that date.

The coronavirus pandemic which started spreading in early 2020 is continuing to cause significant disruption to business and economic activity. The ECL at 31 December 2020 was established based on a range of forecast economic scenarios as at that date, including management's assessment of any impact from the effects of Covid-19 on the company.

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30. Financial risk management

Currency risk

Foreign currency transactions arise when 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 22. The terms of such borrowings are disclosed accordingly.

The effective interest rate on loans and receivables, bank borrowings, other financial liabilities, and cash at bank are disclosed in notes 19, 22, 23 and 26 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.

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30. Financial risk management (continued)

Sensitivity analysis (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	
	2020	2019
	Eur	Eur
Market interest rates – cash flow	<u>+/- 65k</u>	<u>+/- 76k</u>

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, interest-bearing borrowings and other financial liabilities (refer to notes 21, 22, and 23). 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.

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31 December 2020

30. Financial risk management (continued)

Liquidity risk (continued)

At the end of the reporting period, the company reported a net current liability position of *Eur297,798* (2019 – current asset position of *Eur15,164,041*).

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
2019	Eur	Eur	Eur	Eur
Non-derivatives financial liabilities				
Non-interest bearing	5,941,224		-	5,941,224
Fixed Interest-bearing	15,414,393	21,947,572	145,898,227	183,260,192
Variable rate instruments	2,208,084	12,921,427	-	15,129,511
	23,563,701	34,868,999	145,898,227	204,330,927
2020				
Non-derivatives financial liabilities				
Non-interest bearing	4,067,025	1,249,040	-	5,316,065
Fixed Interest-bearing	12,592,388	27,570,267	140,573,444	180,736,099
Variable rate instruments	2,241,554	10,687,500	-	12,929,054
	18,900,967	39,506,807	140,573,444	198,981,218

Hili Ventures Limited

Notes to the financial statements

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30. 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	Other non- cash changes Eur	Closing Balance Eur
2019				
Bank Loans	17,303,396	(2,173,885)	-	15,129,511
Leases	-	(333,563)	2,996,633	2,663,070
	Opening Balance Eur	Cash Eur	Other non- cash changes Eur	Closing Balance Eur
2020				
Bank Loans	15,129,511	(2,200,457)	-	12,929,054
Leases	2,663,070	(444,435)	875,568	3,094,203

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 22 and 23 cash and cash equivalents as disclosed in note 26 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.

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31 December 2020

31. Contingent Liabilities

The Company has guaranteed the amount of Eur5,500,000 (2019 – *Eur5,500,000*) in favour of a subsidiary in connection with bank guarantee facilities of the respective subsidiary. The Company acted as a guarantor to secure bank facilities of two of its subsidiaries in the amount of Eur7,026,000 (2019 – *Eur7,026,000*) and Eur1,500,000 (2019 – *Eur1,500,000*).

At the end of the reporting period, the company also acted as a guarantor for bonds issued by Hili Finance p.l.c. for the amount of *Eur40,000,000* as from 2018 and an additional *Eur80,000,000* as from 2019.

Refer to note 22 for information on the company's bank overdraft and loan facilities and on the security given over such facilities.

32. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

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 61 which comprise the statement of financial position as at 31 December 2020, 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 2020, 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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30 April 2021