

Hili Estates Limited

**Report & Financial Statements
31 December 2020**

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Hili Estates Limited

Directors, officer and other information

Directors: Annabel Hili (appointed on 14 September 2020)
Georgios Kakouras (appointed on 14 September 2020)
Geoffrey Camilleri (resigned 14 September 2020)
Sandra Murniece (resigned on 19 May 2020)

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

Country of incorporation: Malta

Company registration number: C 20513

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

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

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

Hili Estates Limited

Statement of directors' responsibilities

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

In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable;
- 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 year on the accrual basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and 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 Estates Limited

Statement of profit or loss and other comprehensive income

Year ended 31 December 2020

	<i>Notes</i>	2020	2019
		Eur	Eur
Revenue	5	1,000,941	994,199
Administrative expenses		(231,252)	(190,866)
Other operating income	6	62,359	39,858
Other operating expenses	7	-	(2,609)
		<hr/>	<hr/>
Operating profit		832,048	840,582
Investment income	8	1,066,089	-
Investment losses	9	-	(12,664)
Finance costs	10	(168,641)	(163,698)
Finance income	11	258,921	232,352
		<hr/>	<hr/>
Profit before tax	12	1,988,417	896,572
Income tax expense	13	(412,736)	(289,989)
		<hr/>	<hr/>
Profit and total comprehensive income for the year		1,575,681	606,583

Hili Estates Limited

Statement of financial position

31 December 2020

	Notes	2020 Eur	2019 Eur
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	15	16,900,000	15,730,803
Property, plant and equipment	16	-	94,774
Right-of-use asset	17	1,176	30,609
Loans and receivables	18	3,070,000	3,070,000
		<u>19,971,176</u>	<u>18,926,186</u>
Current assets			
Loans and receivables	18	2,760,353	3,003,088
Trade and other receivables	19	1,485,002	709,849
Cash and cash equivalents	27	118,878	239,796
		<u>4,364,233</u>	<u>3,952,733</u>
Total assets		<u>24,335,409</u>	<u>22,878,919</u>
Current liabilities			
Trade and other payables	20	460,951	312,642
Other financial liabilities	21	1,837,738	1,715,833
Bank loan	22	462,231	451,815
Lease liability	23	2,403	28,773
Current tax liabilities		196,516	200,693
		<u>2,959,839</u>	<u>2,709,756</u>
Non-current liabilities			
Bank loan	22	3,373,103	3,833,508
Lease liability	23	-	2,405
Deferred tax liability	24	1,352,000	1,258,464
		<u>4,725,103</u>	<u>5,094,377</u>
Total liabilities		<u>7,684,942</u>	<u>7,804,133</u>
Net assets		<u>16,650,467</u>	<u>15,074,786</u>
EQUITY			
Share capital	25	9,216,027	9,216,027
Revaluation reserve	26	4,922,631	3,950,078
Retained earnings		2,511,809	1,908,681
Total equity		<u>16,650,467</u>	<u>15,074,786</u>

Hili Estates Limited

Statement of financial position (continued)

31 December 2020

These financial statements were approved by the directors and authorised for issue on 28 April 2021:



Annabel Hili
Director



Georgios Kakouras
Director

Hili Estates Limited

Statement of changes in equity

Year ended 31 December 2020

	Share capital Eur	Revaluation reserve Eur	Retained earnings Eur	Total Eur
Balance at				
1 January 2019	9,216,027	3,969,206	1,282,970	14,468,203
Profit and total comprehensive income for the year	-	-	606,583	606,583
Decrease on revaluation of investment property	-	(19,128)	19,128	-
Balance at				
1 January 2020	9,216,027	3,950,078	1,908,681	15,074,786
Profit and total comprehensive income for the year	-	-	1,575,681	1,575,681
Increase on revaluation of investment	-	972,553	(972,553)	-
Balance at				
31 December 2020	<u>9,216,027</u>	<u>4,922,631</u>	<u>2,511,809</u>	<u>16,650,467</u>

Hili Estates Limited

Statement of cash flows

Year ended 31 December 2020

	Note	2020 Eur	2019 Eur
Cash flows from operating activities			
Profit before tax		1,988,417	896,572
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment		94,774	94,774
Amortisation and interest on leased assets		30,658	30,569
Interest expense		167,416	163,698
Interest income		(258,921)	(232,352)
Movement in fair value of investment property		(1,066,089)	(12,664)
Operating profit before working capital movements		956,255	940,597
Movement in trade and other receivables		(774,977)	122,903
Movement in trade and other payables		118,133	(29,752)
Cash flows from operations		299,411	1,033,748
Income tax paid		(323,377)	(216,105)
<i>Net cash flows (used in) from operating activities</i>		(23,966)	817,643
Cash flows from investing activities			
Purchase of investment property		(103,108)	(93,467)
Net movement on amounts due to intermediate parent		242,735	(3,222,545)
Net movement on amounts due to/ from related parties		121,905	464,704
Interest received		258,921	(232,352)
<i>Net cash flows from (used in) investing activities</i>		520,453	(3,083,660)
Cash flows from financing activities			
Interest paid		(167,416)	(161,384)
Repayment of bank borrowings		(449,989)	2,625,800
Net movement on amounts due from intermediate parent		-	(66,623)
<i>Net cash flows (used in) from financing activities</i>		(617,405)	2,397,793
Net movement in cash and cash equivalents		(120,918)	131,776
Cash and cash equivalents at the beginning of the year		239,796	108,020
Cash and cash equivalents at the end of the year	27	118,878	239,796

Hili Estates Limited

Notes to the financial statements

31 December 2020

1. Company information and basis of preparation

Hili Estates Limited is a limited liability company incorporated in Malta with registration number C20513. The registered address of the company is Nineteen Twenty Three, Valletta Road, Marsa. The company is principally involved in holding movable and immovable property.

The financial statements have been prepared on the historical cost basis, except for investment properties which are carried at their fair value, and in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) and the Companies Act, (Cap. 386) of the Laws of Malta. The significant accounting policies adopted in these financial statements are set out below.

2. Significant accounting policies

Property, plant and equipment

The company's property, plant and equipment is comprised of improvements to premises and computer equipment.

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

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

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Depreciation

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

Improvements to leasehold land	- over 5 years being the term of the lease
Computer equipment	- over 5 years

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

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the end of the reporting period. Investment Property is revalued annually with resulting gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

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

Leases – The company as a lessee

For any new contracts entered into on or after 1 January 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company
 - the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
-

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Leases – The company as a lessee (continued)

- the company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the statement of financial position. 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.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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

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

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

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The Company does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

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

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs' or 'finance income'.

Subsequent measurement of financial assets

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- 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 Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial assets at amortised cost (continued)

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

Impairment of financial assets

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

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

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

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

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

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

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial assets at amortised cost (continued)

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, lease liabilities, bank loans and other financial liabilities.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Financial assets at amortised cost (continued)

(i) Trade and 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.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

(ii) Bank loans

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

(iii) Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value.

(iv) Share Capital

Ordinary and preference shares issued by the company are classified as equity instruments. Redemptions or refinancing of equity instruments are recognised as changes in equity.

Impairment testing on property, plant and equipment and investment property

All assets are tested for impairment, except for investment property measured at fair value. At the end of each reporting period, the carrying amount of assets 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.

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Impairment testing on property, plant and equipment and investment property (continued)

In the case of assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in arm's length transaction between knowledgeable, willing parties, less the 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. Impairment losses are recognised immediately in profit or loss.

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

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

Impairment reversals are recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

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

Interest income

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Leases – Company as lessor

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

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

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 current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

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

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

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

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Taxation (continued)

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

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

Currency translation

The financial statements of the company are presented in its functional currency, the Euro, being the currency of the primary economic environment in which the company operates. All financial information presented is rounded to the nearest Euro.

Dividends paid

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Equity

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

Revaluation reserve comprises gains and losses from revaluation of investment property.

Retained earnings include all current and prior period retained profits.

Fair value

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.

Hili Estates Limited

Notes to the financial statements

31 December 2020

2. Significant accounting policies (continued)

Fair value (continued)

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

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

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

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

In the process of applying the company's accounting policies, except as disclosed below, 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.

Fair value of investment property

The company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss as they arise. This is based on market valuations performed by independent professional architects. In a year when market valuations are not performed by an independent professional architect, an assessment of the fair value of investment properties is performed internally to reflect market conditions.

The fair value of investment properties as at 31 December 2020 is based on valuation assessment made by an independent professionally qualified architect, on the basis of market value. The valuation of the property was based on comparisons of recent sales transactions involving comparable properties in Malta, together with experience of the architect in such valuations and analysis of data available on the property market.

Hili Estates Limited

Notes to the financial statements

31 December 2020

4. New or revised standards or interpretations

4.1 New Standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the company's financial results or position.

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

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 Standard, 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.

Hili Estates Limited

Notes to the financial statements

31 December 2020

5. Revenue

Revenue represents the amount receivable for services rendered during the year, net of any indirect taxes.

6. Other operating income

	2020	2019
	Eur	Eur
Other income	<u>62,359</u>	<u>39,858</u>

7. Other operating expenses

	2020	2019
	Eur	Eur
Loss on recharges from other related parties	<u>-</u>	<u>2,609</u>

8. Investment income

	2020	2019
	Eur	Eur
Increase in fair value of investment property	<u>1,066,089</u>	<u>-</u>

9. Investment losses

	2020	2019
	Eur	Eur
Decrease in fair value of investment property	<u>-</u>	<u>12,664</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

10. Finance costs

	2020	2019
	Eur	Eur
Interest on bank loans	167,416	159,565
Interest charged from related parties	-	1,819
Interest expense for leasing arrangements	1,225	2,314
	<u>168,641</u>	<u>163,698</u>

11. Finance income

	2020	2019
	Eur	Eur
Interest charged to intermediate parent	255,771	229,202
Interest charged to other related parties	3,150	3,150
	<u>258,921</u>	<u>232,352</u>

12. Profit before tax

	2020	2019
	Eur	Eur
<i>This is stated after charging:</i>		
Depreciation on property, plant and equipment	94,774	94,774
Depreciation on right-of-use assets	29,433	28,255
	<u>124,207</u>	<u>123,029</u>

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

	2020	2019
	Eur	Eur
Total remuneration payable to the company's auditor for the audit of the company's financial statements	<u>3,250</u>	<u>3,000</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

13. Income tax expense

	2020	2019
	Eur	Eur
Current tax	319,200	283,525
Deferred tax	93,536	6,464
	<u>412,736</u>	<u>289,989</u>

Tax applying the statutory domestic income tax rate of 35% (2019: 35%) and the income tax expense for the year are reconciled as follows:

	2020	2019
	Eur	Eur
Tax Reconciliation		
Profit before taxation	<u>1,988,417</u>	<u>896,572</u>
Tax rate theoretical tax charge	695,946	313,800
<i>Tax effect of:</i>		
Disallowable expenses	429	7,806
Other differences	30,460	2,308
Fines and penalties	1,597	-
Reversal of increase in fair value	(373,131)	4,432
Disallowed finance costs	10,655	-
Amortisation of grand income	-	(1,319)
Maintenance allowance	(46,244)	(42,925)
Deferred tax on investment property	93,536	5,887
Effect of FRFTC	(512)	-
	<u>412,736</u>	<u>289,989</u>

14. Dividends

No dividends were declared in 2020.

Hili Estates Limited

Notes to the financial statements

31 December 2020

15. Investment property

	Eur
Fair value	
At 01.01.2019	15,650,000
Additions resulting from subsequent expenditure	93,467
Decrease in fair value (note 9)	(12,664)
At 01.01.2020	15,730,803
Additions resulting from subsequent expenditure	103,108
Increase in fair value (note 8)	1,066,089
At 31.12.2020	16,900,000

As explained in note 3, in a year when market valuations of the company's investment property are not performed by an independent professional architect, an assessment of fair value of investment property is performed internally to reflect market conditions.

In October 2020, a valuation of the investment property was carried out by an independent professionally qualified architect, on the basis of market value. The valuation of the property was based on comparisons of recent sales transactions involving comparable properties in Malta, together with experience of the architect in such valuations and analysis of data available on the property market. As at 31 December 2020, an assessment of the fair value of the investment property was performed internally to reflect market conditions at the balance sheet date. Based on this assessment, the director was of the opinion that the fair value of the property did not alter significantly from the external valuation carried out in October 2020.

Details about the company's investment property and information about the fair value hierarchy at 31 December are as follows:

Fair value measurement at end of the reporting period using:

	Level 3 Eur
2020	
Office property	<u>16,900,000</u>
2019	
Office property	<u>15,730,803</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

15. Investment property (continued)

The different levels in the fair value hierarchy have been defined in note 2. The company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

Valuation techniques and inputs

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

Operating leases – the company as lessor

Operating leases relate to the investment property owned by the company with lease terms of between 5 to 15 years. The lessees do not have an option to purchase the property at the expiry of the lease period. The rental income earned under operating leases amounted to *Eur1,000,941* (2019: *Eur994,199*). At the end of the reporting period, the respective lessees had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	Eur	Eur
Within one year	993,991	973,725
Between one and five years	4,857,825	3,486,980
Over five years	2,462,319	2,741,844
	<u>8,314,135</u>	<u>7,202,549</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

16. Property, plant and equipment

	Computer Improvements to equipment	leasehold land	Total
	Eur	Eur	Eur
Cost			
At 01.01.2020	227,328	246,542	473,870
Additions	-	-	-
At 31.12.2020	<u>227,328</u>	<u>246,542</u>	<u>473,870</u>
Accumulated depreciation			
At 01.01.2020	181,863	197,233	379,096
Provision for the year	45,465	49,309	94,774
At 31.12.2020	<u>227,328</u>	<u>246,542</u>	<u>473,870</u>
Carrying amount			
At 31.12.2019	<u>45,465</u>	<u>49,309</u>	<u>94,774</u>
At 31.12.2020	<u>-</u>	<u>-</u>	<u>-</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

17. Right-of-use asset

The following asset has been recognised as right-of-use asset for the company.

	Land Eur
Gross carrying amount	
Adjustment on transition to IFRS 16 on 1 January, 2019	58,864
Provision for the year	(28,255)
At 31 December, 2019	<u>30,609</u>
Depreciation	
Provision for the year	(29,433)
At 31 December, 2020	<u>(29,433)</u>
Carrying amount	
At 1 January 2019 and 31 December 2019	<u>30,609</u>
At 31 December 2020	<u>1,176</u>

The depreciation charge on right-of-use asset was 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 23.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.93%. The transition date was 1 January 2019. At this date, the company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. All additions to right-of-use assets during the current reporting period have been recognised using the same rate of 3.93% as there were no changes in the such rate on the date when the new leases came into effect. The incremental borrowing rate will be re-assessed every time a new lease is entered into by the group and the corresponding right-of-use asset recognised. New leases are assessed on a case-by-case basis.

Hili Estates Limited

Notes to the financial statements

31 December 2020

18. Loans and receivables

	2020 Eur	2019 Eur
Amounts due from intermediate parent	5,570,353	5,789,184
Amounts due from related companies	235,000	235,000
Amounts due from other related parties	25,000	48,904
	<u>5,830,353</u>	<u>6,073,088</u>
Less: amounts due for settlement within 12 months (shown under current assets)	<u>(2,760,353)</u>	<u>(3,003,088)</u>
Amounts due for settlement after 12 months (shown under non-current assets)	<u>3,070,000</u>	<u>3,070,000</u>

Interest at the rate of 4.5% per annum is charged on the amounts due from intermediate parent company.

Amounts due from related companies comprise balances within the Hili Properties division and also carry interest at 4.5% per annum *Eur200,000* (2019- *Eur200,000*).

No interest is charged on the remaining amounts due from other related companies reported in the current and prior year. The above loans are unsecured.

19. Trade and other receivables

	2020 Eur	2019 Eur
Trade receivables from ultimate parent	362,774	64,846
Trade receivables from other related parties	1,066,231	578,074
Other receivables	11,216	19,907
Prepayments and accrued income	44,781	47,022
	<u>1,485,002</u>	<u>709,849</u>

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

Hili Estates Limited

Notes to the financial statements

31 December 2020

20. Trade and other payables

	2020	2019
	Eur	Eur
Trade payables	45,263	38,083
Other payables	157,244	159,533
Amounts due to related parties	6,844	-
Amounts due to intermediate parent	82,250	82,105
Amounts due to ultimate parent	2,176	-
Accruals	167,174	32,921
	<u>460,951</u>	<u>312,642</u>

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

21. Other financial liabilities

	2020	2019
	Eur	Eur
Amounts due to intermediate parent	724,440	702,535
Amounts due to ultimate parent	1,113,298	1,013,298
	<u>1,837,738</u>	<u>1,715,833</u>

Other financial liabilities are unsecured and interest-free. Although these loans have no fixed date for repayment, the company has no unconditional right to defer settlement of these loans for at least twelve months after the end of the reporting period.

Hili Estates Limited

Notes to the financial statements

31 December 2020

22. Bank loan

The interest rate is presently charged at the rate of 4% per annum over the 3-month Euribor rate. The 3-month Euribor rate is reviewed at 3-month intervals thereafter in accordance with the 3-month Euribor rate applicable on the date of roll over. This facility is secured by a special hypothec over the investment property of the company, a general hypothec over all the company's present and future assets, and guarantees provided by related parties. The bank loan is repayable in ten years.

	2020 Eur	2019 Eur
Bank loan	3,835,334	4,285,323
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(462,231)</u>	<u>(451,815)</u>
Amount due for settlement after 12 months	<u>3,373,103</u>	<u>3,833,508</u>

The bank loan is repayable as follows:

	2020 Eur	2019 Eur
On demand or within one year	462,233	451,815
In the second year	473,074	462,233
In the third year	484,355	473,074
In the fourth year	496,095	484,355
In the fifth year	508,310	496,095
After five years	<u>1,411,267</u>	<u>1,917,751</u>
	<u>3,835,334</u>	<u>4,285,323</u>

23. Lease Liability

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

	2020 Eur	2019 Eur
Current		
Lease Liability	<u>2,403</u>	<u>28,773</u>
Non-current liabilities		
Lease Liability	<u>-</u>	<u>2,405</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

23. Lease Liability (continued)

The company has leases for its land used as car park facilities to its investment property. The company does not have any other short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of group sales) are excluded from the initial measurement of the lease liability and asset. The company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 17).

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

	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	Eur	Eur	Eur	Eur
31 December 2020				
Lease payments	2,500	-	-	2,500
Finance charges	(97)	-	-	(97)
	<u>2,403</u>	<u>-</u>	<u>-</u>	<u>2,403</u>
31 December 2019				
Lease payments	30,000	2,500	-	32,500
Finance charges	(1,227)	(95)	-	(1,322)
	<u>28,773</u>	<u>2,405</u>	<u>-</u>	<u>31,178</u>

24. Deferred taxation

	Opening balance	Recognised in profit or loss	Closing balance
	Eur	Eur	Eur
2020			
<i>Arising on temporary differences:</i>			
Movement in fair value of investment property	<u>1,258,464</u>	<u>93,536</u>	<u>1,352,000</u>
2019			
<i>Arising on temporary differences:</i>			
Movement in fair value of investment property	<u>1,252,000</u>	<u>6,464</u>	<u>1,258,464</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

25. Share capital

	2020 and 2019	
	Authorised €	Issued and called up €
500,000 ordinary shares of €2.329373 each, all of which have been issued and called up	1,164,687	1,164,687
3,456,441 4.5% non-cumulative redeemable preference shares of €2.329373 each, all of which have been issued and called up	8,051,340	8,051,340
	<u>9,216,027</u>	<u>9,216,027</u>

Non-cumulative 4.5% redeemable preference shares

Although these instruments 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 3,456,441 4.5% preference shares are redeemable at par value at the option of the Company by 31 December 2099 following a resolution to this effect at 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.

26. Revaluation reserve

The revaluation reserve is not available for distribution to the company's shareholders.

27. Cash and cash equivalents

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

	2020 Eur	2019 Eur
Cash at bank and in hand	<u>118,878</u>	<u>239,796</u>

Hili Estates Limited

Notes to the financial statements

31 December 2020

28. Reconciliation of liabilities arising from financing activities

The table below details changes in the company's liabilities arising from financial activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Opening Balance Eur	Cash Eur	Closing Balance Eur
Bank loans	4,285,323	(449,989)	3,835,334
Loans from related parties	1,715,833	121,905	1,837,738
Total liabilities from financing activities	<u>6,001,156</u>	<u>(328,084)</u>	<u>5,673,072</u>

29. Capital commitments

No authorised capital commitments are contracted as at 31 December 2020 (2019: *nil*).

30. Related party disclosures

The parent company and ultimate parent company of Hili Estates Limited are Hili Estates Holdings Company Limited and Hili Ventures Limited respectively which are both incorporated in Malta. The directors consider the ultimate controlling party to be Carmelo Hili, who indirectly holds more than 50% of the issued share capital of Hili Ventures Limited. Hili Ventures Limited, the registered office of which is Nineteen Twenty Three, Valletta Road, Marsa, produces consolidated financial statements available for public use. The company has a related party relationship with other companies having common direct and indirect shareholding referred to as group companies and other related parties respectively.

Hili Estates Limited

Notes to the financial statements

31 December 2020

30. Related party disclosures (continued)

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

	2020			2019		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur		Eur	Eur	
Revenue:						
<i>Related party transactions with:</i>						
Ultimate parent	353,297			316,763		
Other related parties	638,769			668,562		
	<u>992,066</u>	<u>1,000,941</u>	99%	<u>985,325</u>	<u>994,199</u>	99%
Other operating income						
<i>Related party transactions with:</i>						
Ultimate parent	-			3,769		
Other related parties	36,089			36,089		
	<u>36,089</u>	<u>62,359</u>	58%	<u>39,858</u>	<u>39,858</u>	100%
Other operating expenses						
<i>Related party transactions with:</i>						
Other related parties	-		0%	2,609	2,609	100%
Administrative expenses						
<i>Related party transactions with:</i>						
Intermediate parent	48,500	231,252	21%	48,500	190,866	25%
Finance income						
<i>Related party transactions with:</i>						
Intermediate parent	255,763			229,202		
Other related parties	3,158			-		
	<u>258,921</u>	<u>258,921</u>	100%	<u>229,202</u>	<u>232,352</u>	99%
Finance costs						
<i>Related party transactions with:</i>						
Other related parties	-			1,819		
	<u>-</u>	<u>168,641</u>	0%	<u>1,819</u>	<u>163,699</u>	1%

Hili Estates Limited

Notes to the financial statements

31 December 2020

31. Fair values of financial assets and financial liabilities

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

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value are not materially different from their carrying amounts. These are being measured using a level 3 valuation technique. The valuation techniques are defined in note 2.

32. Financial risk management

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.

Hili Estates Limited

Notes to the financial statements

31 December 2020

32 Financial risk management (continued)

Credit risk

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

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures in place.

The company monitors the performance of its receivables on a regular basis to identify potential collection losses, considering historical experience in collection of accounts receivable.

Cash at bank is placed with reliable financial institutions.

Interest rate risk

The company has taken out bank facilities to finance its operations as disclosed in note 22. The interest rate thereon and the terms of such borrowings are disclosed accordingly.

The company is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate.

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.

Liquidity risk

The company monitors and manages its risk to a shortage of funds by maintaining adequate reserves and banking facilities.

Hili Estates Limited

Notes to the financial statements

31 December 2019

32. Financial risk management (continued)

Liquidity risk (continued)

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

	On demand or within 1 year Eur	2 - 5 years Eur	5+ years Eur	Total Eur
2020				
Non-derivative financial liabilities				
Non-interest bearing	2,298,514	-	-	2,298,514
Fixed interest bearing	-	-	-	-
Variable rate instruments	462,231	3,373,103	-	3,835,334
	<u>2,760,745</u>	<u>3,373,103</u>	<u>-</u>	<u>6,133,848</u>
2019				
Non-derivative financial liabilities				
Non-interest bearing	1,883,738	-	-	1,883,738
Fixed interest bearing	30,000	2,500	-	32,500
Variable rate instruments	616,483	2,387,835	2,077,346	5,081,664
	<u>2,530,221</u>	<u>2,390,335</u>	<u>2,077,346</u>	<u>6,997,902</u>

The company is exposed to liquidity risk in relation to meeting future obligations associated with its current liabilities. 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.

At the end of the reporting period, the company reported a net current asset position of *Eur*1,404,394 (2019:*Eur*1,242,977). The company enjoys the full support of a related party for its day to day working capital requirements. Based on the foregoing, the directors are confident that the company will have no difficulty to continue to meet its commitments as and when they fall due.

Hili Estates Limited

Notes to the financial statements

31 December 2020

32. Financial risk management (continued)

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 other financial liabilities in note 21, cash and cash equivalents as disclosed in note 27, and items presented within equity in the statement of financial position.

The company's directors manage the company's capital structure and makes adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company 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. The company's overall strategy remains unchanged from the prior year.

33. Guarantee

During 2015, the company, together with Harbour (APM) Investments Limited, issued a guarantee jointly and severally with Hili Properties p.l.c. (the issuer), whereby the guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer to bondholders under the *Eur37,000,000 4.5% Unsecured Bonds 2025*, which were issued in 2015.

34. Effects of COVID 19 pandemic

The Covid 19 pandemic did not directly affect the company and more particular its operations in 2020. The company's financial performance for 2020 being consistent with that of 2019. The company has also not seen significant impact on the recoverability of its receivables from its customers. The situation continues to change which may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

35. Post balance sheet events

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the board.

Independent auditor's report

To the shareholders of Hili Estates Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hili Estates Limited set out on pages 4 to 38, 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 and other explanatory information.

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 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.

Hili Estates Limited
Report and financial statements
Year ended 31 December 2020

Other information

The directors are responsible for the other information. The other information comprises the (i) Directors, officer and other information and (ii) Statement of directors' responsibilities shown on pages 2 and 3, respectively, 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 director's report, we also considered whether the director's 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the director's 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 director's 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 director is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The director is 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.

Hili Estates Limited
Report and financial statements
Year ended 31 December 2020

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; and
- we have not received all the information and explanations we require for our audit.

Hili Estates Limited
Report and financial statements
Year ended 31 December 2020

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

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malta

28 April 2021