

Hili Estates Limited

Report & Financial Statements

31 December 2023

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Hili Estates Limited

Directors, officer and other information

<i>Directors:</i>	Georgios Kakouras Julian Caruana
<i>Registered office:</i>	Nineteen Twenty Three Valletta Road Marsa, MRS 3000 Malta
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	C 20513
<i>Auditor:</i>	Grant Thornton Fort Business Center, Triq L-Intornjatur, Zone 1 Central Business District Birkirkara, CBD 1050 Malta
<i>Bankers:</i>	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

Year ended 31 December 2023

	<i>Notes</i>	2023	2022
		Eur	Eur
Revenue	5	1,036,498	1,150,782
Administrative expenses		(102,239)	(132,878)
Other operating income	6	3,500	3,009
		<hr/>	<hr/>
Operating profit		937,759	1,020,913
Investment income	7	308,347	114,538
Finance costs	8	(459,337)	(300,208)
Finance income	9	257,516	320,514
		<hr/>	<hr/>
Profit before tax	10	1,044,285	1,155,757
Income tax expense	11	(344,142)	(381,719)
		<hr/>	<hr/>
Profit for the year		700,143	774,038

Hili Estates Limited

Statement of financial position

31 December 2023

	Notes	2023 Eur	2022 Eur
ASSETS AND LIABILITIES			
Non-current assets			
Investment property	12	17,500,000	17,100,000
Loans and receivables	14	4,427,692	9,953,232
Trade and other receivables	15	134,311	98,696
		<u>22,062,003</u>	<u>27,151,928</u>
Current assets			
Loans and receivables	14	1,744,833	5,722,507
Trade and other receivables	15	179,697	121,534
Cash and cash equivalents	22	24,676	204,330
Current tax asset		63,587	-
		<u>2,012,793</u>	<u>6,048,371</u>
Total assets		<u>24,074,796</u>	<u>33,200,299</u>
Current liabilities			
Trade and other payables	16	132,578	306,498
Bank borrowings	18	765,353	954,925
Current tax liabilities		-	185,618
		<u>897,931</u>	<u>1,447,041</u>
Non-current liabilities			
Bank borrowings	18	5,355,795	6,066,729
Other financial liabilities	17	-	8,614,410
Deferred tax liability	19	1,437,606	1,388,798
		<u>6,793,401</u>	<u>16,069,937</u>
Total liabilities		<u>7,691,332</u>	<u>17,516,978</u>
Net assets		<u>16,383,464</u>	<u>15,683,321</u>

Hili Estates Limited

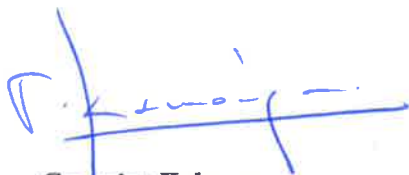
Statement of financial position (continued)

31 December 2023

EQUITY

Share capital	20	9,216,027	9,216,027
Revaluation reserve	21	5,297,516	5,028,006
Retained earnings		1,869,921	1,439,288
Total equity		16,383,464	15,683,321

These financial statements were approved by the directors and authorised for issue on 26 April 2024:



Georgios Kakouras
Director



Julian Caruana
Director

Hili Estates Limited

Statement of changes in equity

Year ended 31 December 2023

	Share capital Eur	Revaluation reserve Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2022	9,216,027	4,922,631	770,625	14,909,283
Profit for the year	-	-	774,038	774,038
Increase in fair value in investment property net of deferred tax (note 12 and 19)	-	105,375	(105,375)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2023	9,216,027	5,028,006	1,439,288	15,683,321
Profit for the year	-	-	700,143	700,143
Increase in fair value in investment property net of deferred tax (note 12 and 19)	-	269,510	(269,510)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2023	9,216,027	5,297,516	1,869,921	16,383,464

Hili Estates Limited

Statement of cash flows

Year ended 31 December 2023

	Notes	2023 Eur	2022 Eur
Cash flows from operating activities			
Profit before tax		1,044,285	1,155,757
<i>Adjustments for:</i>			
Finance costs		459,337	300,208
Finance income		(257,516)	(320,514)
Movement in fair value of investment property		(308,347)	(114,538)
Operating profit before working capital movements		937,759	1,020,913
Movement in trade and other receivables		(22,259)	(69,772)
Movement in trade and other payables		(89,803)	59,535
Cash flows from operations		825,697	1,010,676
Income tax paid		(544,537)	(235,952)
<i>Net cash flows from operating activities</i>		281,160	774,724
Cash flows from investing activities			
Additions to investment property		(91,653)	(85,462)
Net movement on amounts due from intermediate parent		990,682	-
Net movement on amounts due to/ from related parties		-	2,968,267
Interest received		-	320,514
<i>Net cash flows from investing activities</i>		899,029	3,203,319
Cash flows from financing activities			
Interest paid		(459,337)	(292,553)
Repayment of bank borrowings	23	(900,506)	(352,878)
Net movement on amounts due from intermediate		-	(4,603,885)
<i>Net cash flows used in financing activities</i>		(1,359,843)	(5,249,316)
Net movement in cash and cash equivalents		(179,654)	(1,271,273)
Cash and cash equivalents at the beginning of the year		204,330	1,475,603
Cash and cash equivalents at the end of the year	22	24,676	204,330

Hili Estates Limited

Notes to the financial statements

31 December 2023

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 MRS 3000, Malta. 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. Material accounting policies

Overall considerations

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

Management has concluded that the disclosure of the entity's material accounting policies below are appropriate.

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 2023

2. Material 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 – Company as 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; or

Hili Estates Limited

Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

Leases – Company as 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.

Hili Estates Limited

Notes to the financial statements

31 December 2023

2. Material 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 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.

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Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial assets (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, loans, 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 IFRS 9 requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI (the company have no debt type finance assets at 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 had no financial guarantee contracts).

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 2023

2. Material accounting policies (continued)

Financial instruments (continued)

Loans and Trade and other receivables

The Company makes use of a simplified approach in accounting for loans, 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 loans and trade receivables on a collective basis as they possess shared credit risk characteristics.

Classification and measurement of financial liabilities

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

(i) 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.

Hili Estates Limited

Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

(ii) Trade and other payables and other financial liabilities

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

(iii) 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.

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.

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Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

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.

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

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

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

Rental income

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

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.

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.

Hili Estates Limited

Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

Leases – Company as lessor (continued)

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.

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 Estates Limited

Notes to the financial statements

31 December 2023

2. Material 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.

Operating expenses

Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or at the date of their origin.

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.

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

Hili Estates Limited

Notes to the financial statements

31 December 2023

2. Material accounting policies (continued)

Fair value (continued)

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company 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 2023 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.

Climate related matters

The potential impact of climate-related matters has been considered in the preparation of financial statements, including environmental legislations and commitments made by the Hili Properties p.l.c. group which may affect the value of financial assets and liabilities.

The long-term consequences of climate changes on financial statements are difficult to predict and require entities to make significant assumptions and develop estimates.

Hili Estates Limited

Notes to the financial statements

31 December 2023

4. New or revised standards or interpretations

New Standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

Other Standards and amendments that are effective for the first time in 2023 and could be applicable to the company are:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform-Pillar Two Model Rules (Amendments to IAS 12)

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

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 and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the company and no Interpretations have been issued that are applicable and need to be taken into consideration by the company.

Other Standards and amendments that are not yet effective and have not been adopted early by the company include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Hili Estates Limited

Notes to the financial statements

31 December 2023

4. New or revised standards or interpretations (continued)

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

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 not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

5. Revenue

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

6. Other operating income

	2023 Eur	2022 Eur
Other income	<u>3,500</u>	<u>3,009</u>

7. Investment income

	2023 Eur	2022 Eur
Increase in fair value of investment property	<u>308,347</u>	<u>114,538</u>

8. Finance costs

	2023 Eur	2022 Eur
Interest on bank loans	459,337	292,553
Interest charged from parent	-	7,655
	<u>459,337</u>	<u>300,208</u>

Hili Estates Limited

Notes to the financial statements

31 December 2023

9. Finance income

	2023 Eur	2022 Eur
Interest charged to intermediate parent	257,516	255,064
Interest charged to other related parties	-	64,588
Other interest income	-	862
	<u>257,516</u>	<u>320,514</u>

10. Profit before tax

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

	2023 Eur	2022 Eur
Total remuneration payable to the company's auditor for the audit of the financial statements	<u>3,550</u>	<u>3,450</u>

11. Income tax expense

Tax applying the statutory domestic income tax rate of 35% (2022: 35%) and the income tax expense for the year are reconciled as follows:

	2023 Eur	2022 Eur
Current tax	295,334	344,921
Deferred tax	48,808	36,798
	<u>344,142</u>	<u>381,719</u>

Hili Estates Limited

Notes to the financial statements

31 December 2023

11. Income tax expense (continued)

	2023	2022
	Eur	Eur
Profit before taxation	<u>1,044,285</u>	<u>1,155,757</u>
Tax rate theoretical tax charge	365,500	404,515
<i>Tax effect of:</i>		
Disallowable expenses	89,461	42,581
Deferred tax not recognised	(5,045)	(11,021)
Increase on fair value movement	(107,921)	(40,088)
Maintenance allowance	(46,661)	(51,066)
Movement on deferred tax	48,808	36,798
	<u>344,142</u>	<u>381,719</u>

12. Investment property

	2023	2022
	Eur	Eur
Fair value		
At 1 January	17,100,000	16,900,000
Additions	91,653	85,462
Increase in fair value (note 7)	308,347	114,538
At 31 December	<u>17,500,000</u>	<u>17,100,000</u>

In 2023, a valuation of the investment property was carried out by an independent professionally qualified architect, on the basis of market value. As a result of the valuation, an increase in fair value was recognised for 2023 *Eur*308,347 (2022: *Eur*114,538).

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

Hili Estates Limited

Notes to the financial statements

31 December 2023

12. Investment property (continued)

Fair value measurement at end of the reporting period using:

	Level 3 Eur
2023	
Office property	<u>17,500,000</u>
2022	
Office property	<u>17,100,000</u>

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 5 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 *Eur*1,036,498 (2022: *Eur*1,150,782). At the end of the reporting period, the respective lessees had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2023 Eur	2022 Eur
Within one year	956,014	982,234
Between one and five years	3,181,821	3,283,789
Over five years	<u>284,038</u>	<u>1,516,404</u>
	<u>4,421,873</u>	<u>5,782,427</u>

In 2023, the Company entered into consolidation of lease agreements with the tenants which affected the rental income for the year.

Hili Estates Limited

Notes to the financial statements

31 December 2023

13. Property, Plant and Equipment

	Computer equipment Eur	Improvements to leasehold land Eur	Total Eur
Cost			
At 31 December 2022 and 2023	<u>227,328</u>	<u>246,542</u>	<u>473,870</u>
Accumulated depreciation			
At 31 December 2022 and 2023	<u>227,328</u>	<u>246,542</u>	<u>473,870</u>
Carrying amount			
At 31 December 2022 and 2023	<u>-</u>	<u>-</u>	<u>-</u>

14. Loans and receivables

	2023 Eur	2022 Eur
Amounts due from intermediate parent	5,917,058	15,357,860
Amounts due from related companies	216,434	292,879
Amounts due from other related parties	39,033	25,000
	<u>6,172,525</u>	<u>15,675,739</u>
Less: amounts due for settlement within 12 months (shown under current assets)	<u>(1,744,833)</u>	<u>(5,722,507)</u>
Amounts due for settlement after 12 months (shown under non-current assets)	<u>4,427,692</u>	<u>9,953,232</u>

Amounts due from intermediate parent include: (i) an amount of *Eur4,341,258* (2022: *Eur5,570,352*) with the interest rate of 4.5%-5% per annum and unsecured and has fixed repayment date, (ii) an amount of *Eur1,575,800* (2022: *Eur5,482,508*) which are unsecured, interest free and are repayable within 12 months. The remaining amount of *Nil* (2022: *Eur4,305,000*) is unsecured, interest free and have no fixed repayment date.

Amounts due from related companies comprise balances within the Hili Properties division.

Hili Estates Limited

Notes to the financial statements

31 December 2023

14. Loans and receivables (continued)

In 2023, the assignment of balances due from related parties was concluded with the intermediate parent company. In turn, a set-off of amount due by the company to the intermediate parent company was also affected, thereby reducing the total net inter-company balance.

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

15. Trade and other receivables

	2023 Eur	2022 Eur
Trade receivables from ultimate parent	32,617	28,710
Trade receivables from other related parties	70,938	23,811
Trade and other receivables	134,311	11,216
Prepayments	76,142	156,493
	<u>314,008</u>	<u>220,230</u>
Less: amounts due for settlement within 12 months (shown under current assets)	<u>(179,697)</u>	<u>(121,534)</u>
Amounts due for settlement after 12 months (shown under non-current assets)	<u>134,311</u>	<u>98,696</u>

Trade receivables from related parties are unsecured, interest-free and repayable on demand.

Hili Estates Limited

Notes to the financial statements

31 December 2023

16. Trade and other payables

	2023	2022
	Eur	Eur
Trade payables	23,998	15,675
Other payables	62,082	66,173
Amounts due to related parties	27,580	23,605
Amounts due to parent	-	82,250
Amounts due to ultimate parent	-	1,868
Accruals	18,918	116,927
	<u>132,578</u>	<u>306,498</u>

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

17. Other financial liabilities

	2023	2022
	Eur	Eur
Amounts due to intermediate parent	-	7,283,679
Amounts due to parent	<u>-</u>	<u>1,330,731</u>
	<u>-</u>	<u>8,614,410</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>-</u>	<u>-</u>
Amount due for settlement after 12 months	<u>-</u>	<u>8,614,410</u>

The terms and conditions of the above amounts are unsecured and interest free. The Company, however, has an unconditional right to defer settlement of the amount of Nil (2022: Eur8,614,410) for at least twelve months after the end of the reporting period.

The company entered into assignment agreements with the intermediate parent as disclosed in note 14.

Hili Estates Limited

Notes to the financial statements

31 December 2023

18. Bank borrowings

The interest rate is presently charged at the rate of 5.5% per annum (2022: 4%) 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.

	2023 Eur	2022 Eur
Bank loan	<u>6,121,148</u>	<u>7,021,654</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(765,353)</u>	<u>(954,925)</u>
Amount due for settlement after 12 months	<u>5,355,795</u>	<u>6,066,729</u>

The bank loan is repayable as follows:

	2023 Eur	2022 Eur
On demand or within one year	765,353	954,925
In the second year	780,665	792,178
In the third year	796,836	804,711
In the fourth year	716,278	817,561
In the fifth year	636,713	733,303
After five years	<u>2,425,303</u>	<u>2,918,976</u>
	<u>6,121,148</u>	<u>7,021,654</u>

Hili Estates Limited

Notes to the financial statements

31 December 2023

19. Deferred tax liability

	Opening balance Eur	Recognised in profit or loss Eur	Closing balance Eur
2023			
<i>Arising on temporary differences:</i>			
Deffered tax on accrued income	27,635	9,971	37,606
Movement in fair value of investment property	<u>1,361,163</u>	<u>38,837</u>	<u>1,400,000</u>
	<u>1,388,798</u>	<u>48,808</u>	<u>1,437,606</u>
2022			
<i>Arising on temporary differences:</i>			
Deffered tax on accrued income	-	27,635	27,635
Movement in fair value of investment property	<u>1,352,000</u>	<u>9,163</u>	<u>1,361,163</u>
	<u>1,352,000</u>	<u>36,798</u>	<u>1,388,798</u>

20. Share capital

	Authorised Eur	2023 and 2022 Issued and called up Eur
500,000 ordinary shares of Eur2.329373 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 Eur2.329373 each, all of which have been issued and called up	<u>8,051,340</u>	<u>8,051,340</u>
	<u>9,216,027</u>	<u>9,216,027</u>

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 Estates Limited

Notes to the financial statements

31 December 2023

20. Share capital (continued)

Non-cumulative 4.5% redeemable preference shares

Non-cumulative redeemable preference shares are instruments that are redeemable. These instruments meet the definition of an equity instrument as stipulated in IAS 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.

21. Revaluation reserve

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

22. Cash and cash equivalents

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

	2023	2022
	Eur	Eur
Cash and cash equivalents	24,676	214,656
Bank balances overdrawn	-	(10,326)
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows and the statement of financial position	24,676	204,330
	<hr/>	<hr/>

Hili Estates Limited

Notes to the financial statements

31 December 2023

23. 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.

	31 December 2023			
	Opening Balance	Cash	Non-Cash	Closing Balance
	Eur	Eur	Eur	Eur
Bank borrowings	7,021,654	(900,506)	-	6,121,148
Other financial liabilities	8,614,410	-	(8,614,410)	-
Total liabilities from financing activities	15,636,064	(900,506)	(8,614,410)	6,121,148

	31 December 2022			
	Opening Balance	Cash	Non-Cash	Closing Balance
	Eur	Eur	Eur	Eur
Bank borrowings	7,374,532	(352,878)	-	7,021,654
Other financial liabilities	8,431,797	182,613	-	8,614,410
Total liabilities from financing activities	15,806,329	(170,265)	-	15,636,064

24. 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 2023

24. Related party disclosures (continued)

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

	2023			2022		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	Eur	Eur		Eur	Eur	
Revenue:						
<i>Related party transactions with:</i>						
Ultimate parent	392,427			418,906		
Other related parties	586,541			722,997		
	<u>978,968</u>	<u>1,036,498</u>	<u>94%</u>	<u>1,141,903</u>	<u>1,150,782</u>	<u>99%</u>
Other operating income						
<i>Related party transactions with:</i>						
Other related parties	3,500			3,009		
	<u>3,500</u>	<u>3,500</u>	<u>100%</u>	<u>3,009</u>	<u>3,009</u>	<u>100%</u>
Administrative expenses						
<i>Related party transactions with:</i>						
Intermediate parent	53,354	102,239	52%	48,500	132,878	36%
Finance income						
<i>Related party transactions with:</i>						
Intermediate parent	257,516			255,064		
Other related parties	-			64,588		
	<u>257,516</u>	<u>257,516</u>	<u>100%</u>	<u>319,652</u>	<u>320,514</u>	<u>99%</u>

25. Fair values of financial assets and financial liabilities

At 31 December 2023 and 2022, 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 2 valuation technique. The valuation techniques are defined in note 2.

Hili Estates Limited

Notes to the financial statements

31 December 2023

24. Financial risk management

The company is exposed to credit risk, interest rate risk and liquidity risk through its use of financial instruments which result from both its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the company is exposed to are described below.

Credit risk

	Notes	2023	2022
Non-current assets			
Loans and receivables	14	4,427,692	9,953,232
Trade and other receivables	15	134,311	98,696
		4,562,003	10,051,928
Current assets			
Loans and receivables	14	1,744,833	5,722,507
Trade and other receivables	15	103,555	80,457
		1,848,388	5,802,964
Current liabilities			
Trade and other payables	16	70,496	240,325
Bank borrowings	18	765,353	954,925
		835,849	1,195,250
Non-current liabilities			
Bank borrowings	18	5,355,795	6,066,729
Other financial liabilities	17	-	8,614,410
		5,355,795	14,681,139

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting periods, as summarised below:

Hili Estates Limited

Notes to the financial statements

32 December 2023

25. Financial risk management (continued)

The company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

The company's management considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. See note 2 for further information on impairment of financial assets.

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

None of the company's financial assets is secured by collateral or other credit enhancements.

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 2023 and 2022 are callable on demand. All of the cash and cash equivalents are held in two banks. The banks with whom cash and cash equivalents is held has a credit rating of BBB- by Standard and Poor's. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12-month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the company.

Interest rate risk

The company has taken out bank facilities to finance its operations as disclosed in note 18. 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 company does not expect significant shifts in the interest rates in the next 12 months. Consequently the effect on the results of the company resulting from a change in the cash returns derived from variable short term assets would be considered negligible.

Hili Estates Limited

Notes to the financial statements

31 December 2023

25. Financial risk management (continued)

Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise trade and other payables, borrowings and other financial liabilities (see notes 16, 17 and 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the company's obligations when they become 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 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
2023				
Non-derivative financial liabilities				
Non-interest bearing	70,496	-	-	70,496
Variable rate instruments	<u>765,353</u>	<u>2,930,492</u>	<u>2,425,303</u>	6,121,148
	<u>835,849</u>	<u>2,930,492</u>	<u>2,425,303</u>	<u>6,191,644</u>
2022				
Non-derivative financial liabilities				
Non-interest bearing	306,498	8,614,410	-	8,920,908
Variable rate instruments	<u>954,925</u>	<u>3,147,753</u>	<u>2,918,976</u>	<u>7,021,654</u>
	<u>1,261,423</u>	<u>11,762,163</u>	<u>2,918,976</u>	<u>15,942,562</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*1,114,862 (2022: *Eur*4,601,330). 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 2023

25. 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 17, bank borrowing in note 18, cash and cash equivalents as disclosed in note 22, 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.

26. 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). The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer to bondholders under the *Eur 37,000,000 4.5% Unsecured Bonds 2025*, which were issued in 2015.

27. 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.

Schedule

Administrative expenses

This schedule does not form part of the statutory financial statements.

Hili Estates Limited

Administrative expenses

Year ended 31 December 2023

	2023	2022
	Eur	Eur
Management fee	53,354	48,500
Rent	17,500	35,000
Bank charges	4,421	28,833
Legal and professional fees	3,487	2,120
Audit fee	3,550	3,450
General expenses	14,426	1,158
Computer expenses	1,490	6,503
Repairs and maintenance	4,011	7,314
	<u>102,239</u>	<u>132,878</u>

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 36, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, 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 material 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 2023, 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.

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.

Hili Estates Limited

Report and financial statements

Year ended 31 December 2023

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.

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.

Hili Estates Limited
Report and financial statements
Year ended 31 December 2023

- 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.

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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26 April 2024